

[Special Edition]

Coverdale Theme Booklet

A tall, slender tree with vibrant green foliage, possibly a larch, stands against a clear blue sky. The tree's trunk is dark and straight, with a dense canopy of bright green leaves. The image is oriented vertically, with the tree running from the bottom to the top of the frame.

Organizations
in Flux

Theme Booklet 4
Organizations in Flux

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Photo (r.):
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(* 1958), agricultural engineer,
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coach at Coverdale Deutsch-
land since 1991



Coverdale was identified
in the results of a survey
conducted by the business
magazine **brand eins** as
one of the best consult-
ing firms in Germany
in the field of manage-
ment, organization and
personnel.

Organizations in Flux

Fluid organizations are the current answer to the challenges posed by globalization and digitization. Decisions must be made round the clock in globally active organizations, when, for example, night has turned to day in a branch located on the other side of the globe and a production problem requires immediate attention. The Internet and the many communication channels offered by social media enable more rapid communication, and decisions must be made 24/7. The old management mechanism in which decisions regarding emerging problems are requested "from the top" often leads to a dead end. But where are the new models?

Organizations need to ask themselves these questions: Which processes, which procedures and which management structures fit our needs and objectives and with which people can success be achieved?

We have prepared this booklet in order to facilitate this process of defining an organization's position. It presents a mixture of theoretical and practical approaches, of prioritization and implementation in alternation.

We hope that this mixture helps promote creativity and generate new ideas within your organization.



The organization – wolf pack, machine or swarm?

Essay from Jacqueline Wasseveld–Reinhold

For thousands and thousands of years, human beings have been organizing themselves in groups and communities in support of aims they cannot achieve individually: survival, protection, security, expansion, economic progress, and the realization of ideals, to mention only a few. Interaction, leadership and cooperation are traditionally governed by both explicit and implicit rules. Practitioners and scholars are concerned with developing optimal organizational structures on the basis of these rules grounded in historical traditions.

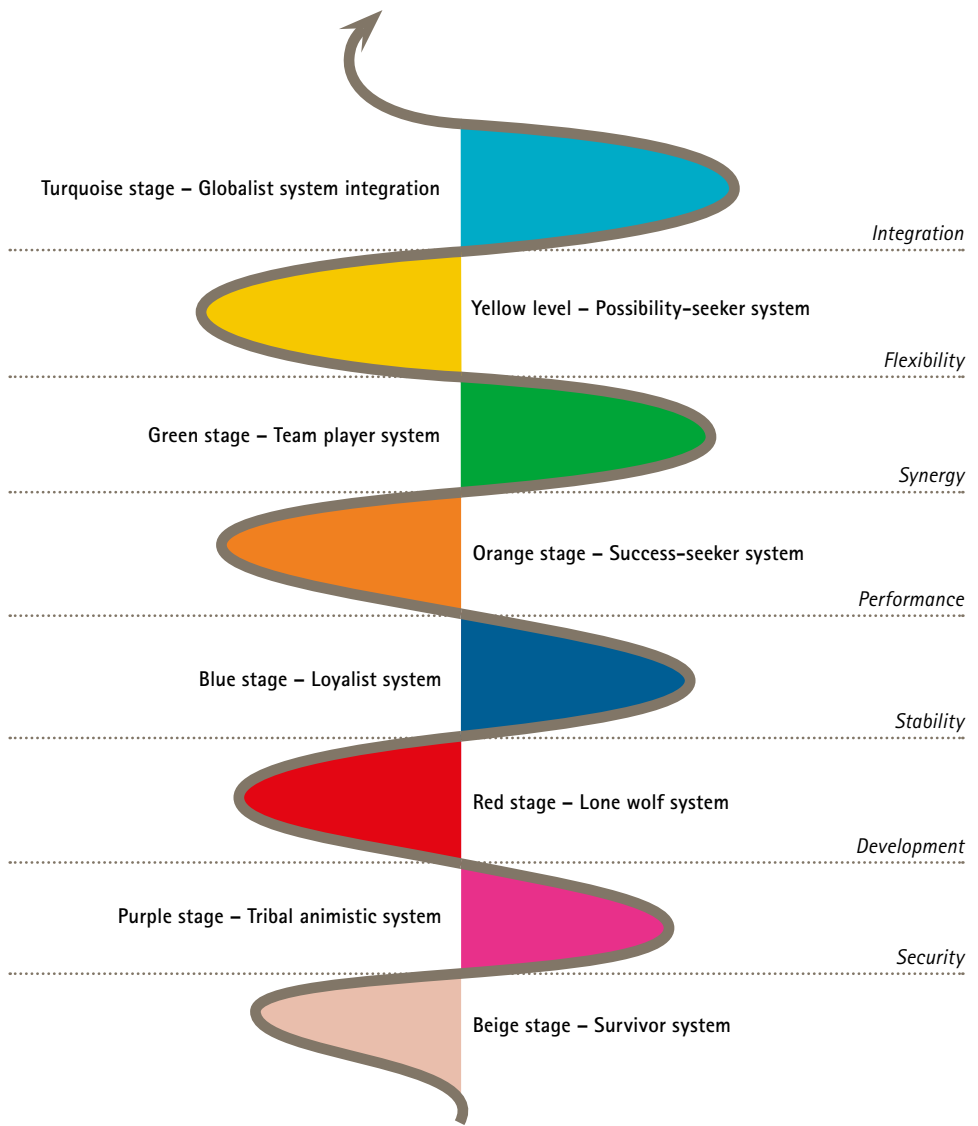
As organizational developers they observe business enterprises, diagnose unfavorable models, and assist firms in their efforts to develop more favorable structures. But what is a good organizational model? What model meets the needs of the organization and its people most effectively? What model suits the firm best? What model ensures survival, future success and progress? How does a given organizational model relate to the "environment," which can also be expected to change and evolve under the influence of demographic factors, globalization, and climate change?

Fascinating models and theories of organizational development are described in numerous books and studies. Although models can never re-

flect reality in its full complexity, they can serve as helpful maps that provide points of orientation and food for thought in the process of reflecting on a firm's own organizational model.

Relatively recent psychological research has produced models that not only consider the individual business enterprise in the process of development, but also identify links between certain environmental factors and development. Clare Graves (1914-1984) described different levels of a spiraling process of the development of human consciousness that influence people's world views, cognitive behavior, fundamental beliefs and collective values. That impacts on society, religion and the economy – and thus on the ways in which we manage, cooperate, and deal with conflicts. Graves's students Don Beck and Christopher Cowan have refined the model for application to the business context (spiral dynamics). They use different colors to identify the successive stages of consciousness in the upward spiral.

The shape of the spiral emphasizes that each successive stage encompasses all of the preceding stages. The spiral indicates a direction of development, but does not rule out the possibility that people and organizations may develop along paths of their own or that transitions may be fluid.



The model also makes it possible to shift the focus of attention back and forth between the individual and the group and thus examine their mutual interdependence in a kind of pendula approach.

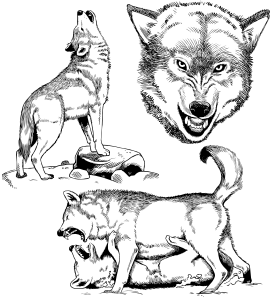
We can offer only a brief and incomplete look at the different stages along with our views as an impulse to further study within the framework of this publication. The crucial question as it relates to organizational form is whether the existing organizational model is capable of dealing appropriately (i.e. in keeping with the aim of survival) with prevailing "environmental" factors, such as competition, customer requirements, technologies, etc. Each stage has its strengths and limitations with respect to the organizational forms it engenders. It is not a matter of right or wrong. A basic premise of the model is that changes in the environment which can no

longer be dealt with at the level of consciousness lead to further development.

The following brief sketches of the stages we encounter today are focused on the aspects of leadership, cooperation and behavior in conflict situations.

Beige Stage: Focus on the INDIVIDUAL SELF. All activity is devoted to simple survival on the basis of innate instincts – day in and day out. Originated approx. 100,000 years ago. Contemporary example: isolated indigenous populations

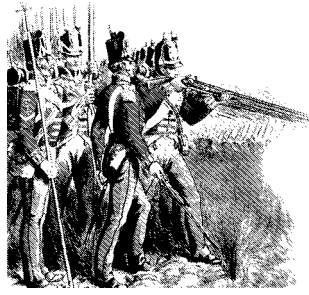
Purple stage: Focus on WE. Ethnic tribal groups are formed. Clans offer protection. The world is full of spirits and demons. Originated approx. 50,000 years ago. Contemporary example: certain indigenous populations



Organizational structure: wolf pack

Rote Stage: Focus on the INDIVIDUAL SELF. Individuals start to break away from the group and its dependence on magic. Individual power is employed for purposes of domination and enhanced independence. Originated approx. 15,000 years ago
Contemporary example: the Mafi

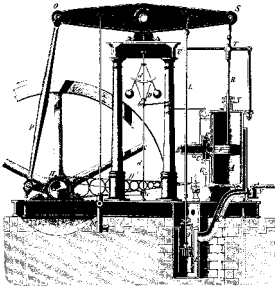
- > *Cooperation ...* as we understand it today does not take place. Members of groups 'toe the line' and bow to the will of the leader. Orders are carried out in fear of punishment.
- > *Leadership ... is exercised through power, force and willful action. The law of the jungle prevails.*
- > *Conflicts ...* are settled in accordance with the same principles that apply to leadership.



Organizational structure: military unit

Blue Stage: Focus on WE. An alternative to red-stage impulsiveness emerges. Social interaction is now determined by strict adherence to rules of order, regulations and structures. Long-term stability and planning become increasingly important. Right and wrong are clearly distinguishable. Originated roughly 4,000 years ago. Still evident in some organizations.

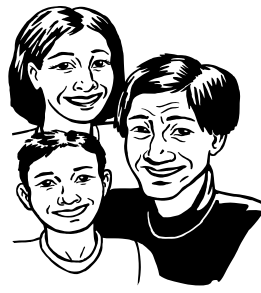
- > *Cooperation ...* is determined on the basis of adherence to procedures and specifications. Guidelines, definitive job descriptions and levels of hierarchy combine to form a clearly defined framework for action. Suggestions may be made within the limits of the framework by individuals with appropriate professional expertise. Inter-departmental cooperation is rare. Employees often demonstrate life-long loyalty to their employers – as expressed in such statements as "I'm proud to be a Kruppian" ... – and a sense of belonging.
- > *Leaders (managers) ...* are responsible for issuing instructions and monitoring outcomes in their own "little dominions." Obedience to the authority of superiors or members of a higher social class is taken for granted. Supervisors occupy lifetime positions. The patriarchal (in a positive sense) boss takes care of his subordinates. Influence by the energy of the preceding red stage leads to arbitrary, willful behavior on the part of managers in individual "kingdoms" within an organization.
- > *Conflicts ...* are rare and ordinarily settled on the basis of guidelines and/or hierarchical relationships. Interpersonal relationships are not important.



Organizational model: machine

Orange Stage: Focus on the INDIVIDUAL SELF. The Age of Enlightenment witnessed the emergence of a new sense of self and a critical attitude towards rigid structures and rules. Secularization began, and the personal values of individuals became increasingly important. Personal achievement, material wealth, and individual success are what counts. Facts, figures, and other data determine business policy. A mechanistic world view is observable in many business organizations today.

- > *Zusammenarbeit* ... is aim-oriented and focused on effectiveness and efficiency. The individual has more creative freedom. People are expected to contribute ideas. Dialog and support are important to the achievement of common aims. At the same time, rivalries and competition develop, even among colleagues. Soft skills take on added importance alongside professional expertise.
- > *Leadership* ... is exercised through aim-oriented behavior and supported by corresponding business indicators, which serve as a framework for action. Managers are continually compelled to demonstrate success and are always replaceable. The need to protect and enhance shareholder value leads to a focus on short-term profit.
- > *Conflicts* ... multiply as individuals question existing rules and structures in situations characterized by the need for interdepartmental and global cooperation. Cooperation and competition among colleagues generate tensions.



Organizational model: the family

Green stage: Focus on WE. The limits of materialistic and performance-oriented thinking are exposed. Human beings, their needs, and those of the community move to the center of attention. Individualism and personal strengths are exploited. A multicultural mindset emerges. Feelings and concern for oneself, others, and the environment take the place of one-sided rationalism. This is observable in an increasing number of business organizations today.

- > *Cooperation* ... is demonstrated in teamwork. Harmony, a sense of well-being, and consensus are important. Mutual consideration and humanity are important.
- > *Leadership* ... is exercised through moderation and coaching. Managers regard themselves as sparring partners and strive to treat everyone fairly. Common values serve as a creative framework. Authenticity is highly valued.
- > *Conflicts* ... are managed through moderation and coaching. Managers regard themselves as sparring partners and strive to treat everyone fairly. Common values serve as a creative framework. Authenticity is highly valued.

The end of the green stage marks the point at which a crucial change occurs. The first six stages are grouped together in a tier. Much like Maslow's pyramid of needs, the first tier in the development of mankind serves to compensate for such deficiencies as hunger, vulnerability, and oppression. In the second tier, development proceeds once again through the various stages in a spiral progression, but on a more advanced basis. The shift of focus from the individual to the community becomes less relevant, and attention is centered increasingly on humankind as a whole.

Yellow Stage: SSystemic thought patterns have emerged. Relationships become clearly identifiable. People are more willing to accept complexity and the limitations of their own thought processes. They find it easier to tolerate dilemmas and paradoxes. Divergent realities and views can coexist and are reconcilable. Changes of perspective and timely networking with others are now possible. Difference is regarded as enriching. Recognizable in some business organizations today.

- > *Cooperation ...* within flexible, self-organized teams increases. Meaningfulness, personal responsibility and predefined decision-making processes form a framework for orientation and creativity. Communication and human interaction are important success factors

> *Leadership* ... is more broadly distributed. It is defined on a task-by-task basis, may change for different tasks, or be temporary. The status of the position of leadership per se becomes less important. Temporary leaders manage by means of moderation and coaching through meaningful and appropriate integration and decision-making processes. The consequences of failure to adhere to established processes and rules are made transparent and implemented accordingly.

> *Konflikte* ... are regarded as everyday phenomena and a normal part of the process of cooperation. They are resolved in a timely manner at both the objective and interpersonal levels. Support for conflict resolution can be obtained – internally or from outside of the organization. The procedures involved are transparent. The phases of escalation are clearly defined.

Turquoise stage: Views the world holistically and is recognizable only in individual cases. Human existence and spirituality are united. The human being is both an individual and a part of a greater whole.



Jacqueline Wasseveld-Reinhold, born in 1955; consultant/trainer at Coverdale Deutschland since 1992; systematic supervisor and organizational developer; training in Hakomi therapy.

Additional recommended literature:
Spiral Dynamics – Mastering Leadership, Values and Change
Don Edward Beck and Christopher Cowan (Oxford, 1996)

Trends, we have observed in organizations:

- Employees get more management and decision-making responsibility. The willingness of individuals and teams to accept responsibility for their own actions is increasing.
- Freedom in the process of defining objectives is replacing formerly rigid specifications.
- Fixed structures are breaking down at a more rapid pace, and teamwork constellations are changing.
- Decision-making authority is shifting downward within organizational hierarchies, but managers and employees are often unprepared for such changes.
- Certain individuals are incapable of dealing with increasing complexity. Management teams – both local and global – must place much greater emphasis on teamwork. Interdisciplinary teamwork is also required.
- Organizations that have been successful for many years are confronted with their limitations by the rapidly changing business conditions and are now in search of new organizational forms and opportunities for cooperation.
- Values are changing. In the interest of a healthy "life balance," organizations are now permitted to implement work-time models that would previously have been inconceivable, e.g. devoting more time to the family in the form of parental leave – for fathers as well. Materialistic and status-oriented thinking are less common today.
- Emphasis on individual performance is giving way to a yearning for a sense of community and meaningful experience. The question of the meaning of work is posed more and more often and has replaced the exclusive focus on profit in many cases.
- The sense of security with respect to predictability, calculability and one's place in the organization is diminishing. High performance has become a permanent requirement and is thus virtually impossible to meet.

Our conclusions based on the model and our observations:

Established organizations are currently operating in the blue, orange or green stages. Changes in the business environment – new communication technologies, increasing speed and complexity, globalization, Generation Y, heightened customer expectations and shorter product cycles, etc. – confront established organization and thus current forms of organization in the blue, orange and green stages with their limitations.

Burnouts among employees or burnouts of entire organizations or units are the result. This creates pressure within these organizations to look for alternative forms. Initial answers can be found in organizations that strive to define a higher purpose and establish a corresponding stronger system of self-organization, thereby placing the whole human being in the focus of their efforts.



The »Heiligenfeld« Program

The nucleus of today's Heiligenfeld Clinics originated in Bad Kissingen in 1990. The 25 employees of the first clinic for psychosomatic medicine provided care and treatment for 43 patients. Today, 800 employees work at the complex consisting of five clinics for psychosomatic medicine, an orthopedic clinic, an oncology clinic, a rehab center specialized in internal medicine, an academy and an in-house corporate consulting unit. In his article on pages 18ff, Frederic Laloux describes the Heiligenfeld Clinics as an example of an organization that has forged new paths in personnel management. – The following interview with Albert Pietzko, Managing Director of Heiligenfeld & Pietzko GmbH, conducted by Coverdale's Andreas Schattschneider focuses on this unique approach to personnel management.

Albert Pietzko joined the Strategic Management units at the Heiligenfeld Clinics as a freelance consultant in 1999. In that capacity, he has overseen projects in the fields of quality management, vision and concept development, value management, personnel development and leadership culture.



? Mr. Pietzko, how did your initial contact with the Heiligenfeld Clinics come about?

:: As a gestalt therapist, I found the humanist approach pursued by the Heiligenfeld Clinics appealing. So I contacted the organization when the first clinic was built some 25 years ago. I have also been friends with its founder, Dr. Galluska, since then.

? How would you describe your role in the evolution of the Heiligenfeld Clinics?

:: I started out as a trainer and coach. Later on, I served as a member of the Strategic Development unit at the Heiligenfeld Clinics for ten years. That is a group of six or seven people who commission and supervise corporate development projects.

? What kind of projects were they?

:: The first projects were concerned

primarily with quality management. A key project in the field of organizational development was devoted to preparing an intellectual capital balance sheet. We participated in a pilot project initiated by the Fraunhoferinstitut, the goals of which were to develop an intellectual capital balance sheet and to assess such factors as human, structural and relationship capital in addition to the purely "quantitative assessments." (See the separate section on Intellectual Capital Balance Sheets.) Based on the intensive in-house discussions devoted to this topic, we were able to develop a good diagnosis that told us how we stood and where we still had deficits. In other words, the intellectual capital balance sheet served us as a diagnostic tool and thus as a strategic management instrument as well.

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Albert Pietzko, (* 1953), Managing Director of Heiligenfeld & Pietzko GmbH, holds degrees in pedagogy and social education. He founded a training institute for psychotherapists and served as its managing director for ten years. He has been advising and coaching managing directors, entrepreneurs and management personnel involved in restructuring and strategic planning phases since 1991. In that capacity, he is concerned primarily with the focus on people, the relationship between economics and values and a sustainable leadership culture. He joined the Strategic Management unit at the Heiligenfeld Clinics as a freelance consultant in 1999. In that capacity, he has overseen projects in the fields of quality management, vision and concept development, value management, personnel development and leadership culture. .



Andreas Schattschneider, (* 1964), MBA; many years of management experience in marketing and sales; with Coverdale Deutschland since 1999; advanced training in the areas of coaching, EI and organizational structure.

? And you have continued to use it?
:: Yes. We developed a second intellectual capital balance sheet, for example, devoted to the question of how we, as an organization, were prepared for expansion and specifically what we needed in terms of employee and managerial competencies – with clear implications regarding the competencies that would have to be developed.

? Is there or was there a target vision for the organization? And what is unique about Heiligenfeld?
:: The organization is heavily influenced by an underlying "humanist vision" in combination with the corresponding therapeutic pillars – the group concept and the principles of community and spirituality – and of course by its founder, Dr. Galuska, who acts as the driving force behind its efforts. I would describe the development process as organic. It comprises highly creative and visio-

nary elements but also seizes current opportunities as they arise.

The name "Heiligenfeld" is interesting in this context. The first clinic was built on a lot in an area known as "Heiligenfeld." The name stands for the program: How do I design a "field" that enables patients to heal and employees to develop their potential and strengths at the same time?

? That sounds a lot like an ideal world, like paradise.

:: And it always has a sobering effect on new employees. Heiligenfeld also stands for performance, structure, clearly defined responsibilities and roles as well as discipline – all aspects that play important roles in therapy and are also reflected in management and teamwork.

? Does that mean that hierarchy plays an important role?

:: The system has a definite hierar-

The Heiligenfeld Group

Two entrepreneurs were united by a common vision in 1990. Fritz Lang and Dr. Joachim Galuska wanted to develop an approach to psychosomatic medicine focused primarily on people and their needs. That vision became reality in the Franconian town of Bad Kissingen. The first clinic and corporate headquarters building was built, and 25 employees provided care and treatment for up to 43 patients back then. The family-owned enterprise evolved rapidly into an innovative health-care organization that continues to embody both values and economical business policies today. Today, some 800 people invest their creative energy in the sustained success of the Heiligenfeld Clinics. They devoted themselves to the treatment of psychosomatic and somatic disorders in six buildings. An in-house academy also organizes standard-setting training programs and conferences that regularly contribute new impulses for the development of the organization. The clinics have received a number of awards in honor of their economically sustainable medical practices. They most recently placed first in the competition for the "Best Employer in the Health Care Sector – Clinics Category" and won a special prize for their outstanding employee health-care program. The clinics were also awarded first place in the competition for "Germany's Customer Champions in 2014."

chical structure with clearly defined management units and a strong regulatory scheme, but participation is encouraged. A meeting on the subject of "Organizational Development" takes place every two weeks. The 90-minute event is attended by 200 employees from all occupational groups, in different combinations on each occasion; all management personnel are required to attend. In addition to receiving information, participants also work on important topics in small-group sessions. Aside from substantive results, these events also strengthen employee identification and loyalty to Heiligenfeld while promoting cooperation and togetherness among the various occupational groups and across hierarchical boundaries.

? Speaking of promoting – How is the progressive development of teamwork and of individual employees promoted?
:: All employees – from therapists to

administrative personnel – are entitled to take part in coaching and supervision sessions. The development of management personnel is also of central importance. We offer an open training program entitled "Leadership in the Health-Care Sector" at our academy, and all of our managers are required to attend. Coaching groups are also available for all new management personnel.

? And what happens in cases of failure to adhere to agreements?

:: The basic principle is simple: Give everyone a second chance, but impose clearly defined penalties, although I must say that we often have difficulty making tough decisions and imposing clearly defined penalties. Sometimes our therapeutic principles (belief in/ hope for positive progress) collide with the reality of management (the "big picture").

? What challenges have you faced in the course of the development process?

[What is an intellectual capital balance sheet?]

An intellectual capital balance sheet is a tool used to present a structured description of the development in an organization's intellectual capital. It illustrates the relationships between the organizational objectives, business processes and intellectual capital and the business success of an organization. It differs from a financial balance sheet in that its purpose is to document the use of intellectual capital and the achievement of objectives. The intellectual capital to which the intellectual capital balance sheet pertains is subdivided into three categories: human capital, structural capital and relationship capital.

[For what purposes is an intellectual capital balance sheet used?]

An intellectual capital balance sheet may fulfill two purposes. It can be used for purposes of communication with external reference groups, such as customers, partners and funding providers. In that case, it enables the organization to describe its performance capacity, with an emphasis on intangible values. It can also serve as a basis for management decisions regarding the systematic development of intellectual capital. In this in-house function, the intellectual capital balance sheet serves the purpose of establishing transparency regarding the strengths and weakness of the intellectual capital that are viewed as crucial to the achievement of success. It is also used in support of the systematic development of measures in support of targeted organizational development.

[What aspects are covered by the intellectual capital balance sheet?]

Human capital encompasses, but is not limited to, employee competencies, skills and motivation. Human capital is in the hands of employees, who take their knowledge home with them or to their next employer.

Relationship capital described the organization's relationships with customers and suppliers as well as with other business partners and the public.

Structural capital comprises all of the structures and processes employees need in order to be productive and innovative on the whole. It consists of all of the intelligent structures that remain in place when employees leave after work in the evening.

Source: website of the Arbeitskreis Wissensbilanz des Fraunhofer Instituts

:: The need to ensure again and again that everyone is on the same page, but that there is still room for difference. This became particularly clear during our vision-development process, which we initiated as a largely dialog-based process. We realized on the one hand that we are very homogeneous. That is a very pleasant insight, and it has a powerful cohesion-building effect, but it also tempts us to overlook manifestations of difference or view them as disruptive. Reminding ourselves of this over and over again and learning to appreciate and deal positively with it has had a beneficial effect on development.

? Structure, discipline and clearly defined responsibility, coupled with attentiveness and a strong emphasis on interpersonal aspects – what does that look like in concrete terms?

:: Let's take meetings as an example. Punctuality is a must, and everyone is expected to come to meetings fully prepared. Meetings are regulated by a clearly defined process and supervised by someone who ensure that structure is maintained.

Every meeting begins with a moment of silence. One of the participants is given a cymbal, which he or she strikes when it appears that the discussion has wandered away from the subject at hand, egoism has begun to play a role or other factors seem to be negatively affecting the discussion culture. The sound signals the need for a moment of silence and attentiveness, after which work resumes without further explanation or justification.

? Where do you recognize things that could be applied to other organizations?

:: I tend to be skeptical about such things as "best practices" and "copy-and-paste" solutions. Every organi-

zation has its idiosyncrasies and its own context. What matters in my opinion is the ability to make use of the intelligence employees – and by that I mean people's creative minds and hearts.

? You also work as a consultant for other organizations. Where are things headed in the field of organizational development?

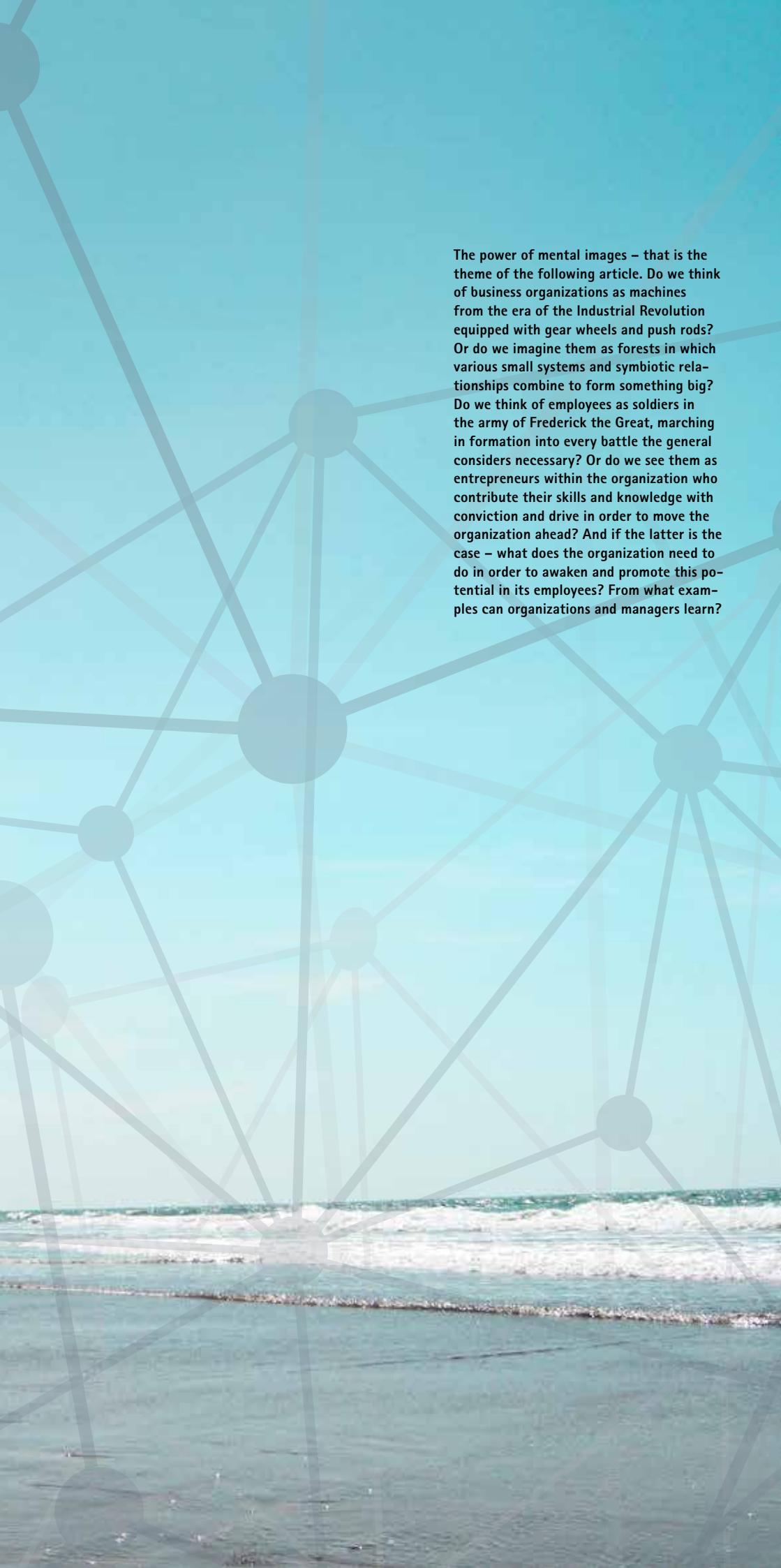
:: In my view, the emphasis in large organizations is on financial concerns. In other words, the pressure to slim down in a primarily technical sense of IT appears to dominate. People are generally left behind. Unfortunately, I don't see many different impulses in this context. And when I do, it's usually in small units and organizations dominated by individuals that I recognize a dialog-based approach that makes use of people's potentials

? Last but not least, what keeps you moving forward?

:: I'm motivated by the question of meaning and purpose. What is it really about? If you ask me, I don't think we ask ourselves that question often enough. I've found my mission, namely to lead people toward what is essential by helping them answer the following question: "What's good for me and my organization?" The most important values that guide me in that endeavor are goodness, loyalty and patience.

The interview was conducted by Andreas Schat-tschneider.



The background of the page is a photograph of a beach with waves breaking on the shore under a clear blue sky. Overlaid on this image is a semi-transparent network diagram consisting of numerous circular nodes of varying sizes connected by thin, light-colored lines. The nodes are distributed across the frame, with a larger central node and several smaller nodes branching out from it and other nodes, creating a complex web-like structure.

The power of mental images – that is the theme of the following article. Do we think of business organizations as machines from the era of the Industrial Revolution equipped with gear wheels and push rods? Or do we imagine them as forests in which various small systems and symbiotic relationships combine to form something big? Do we think of employees as soldiers in the army of Frederick the Great, marching in formation into every battle the general considers necessary? Or do we see them as entrepreneurs within the organization who contribute their skills and knowledge with conviction and drive in order to move the organization ahead? And if the latter is the case – what does the organization need to do in order to awaken and promote this potential in its employees? From what examples can organizations and managers learn?



A future more powerful than hierarchy

By Frederic Laloux

Every now and again, humanity makes a leap in its thinking. For thousands of years, virtually all societies in the world enslaved other people. Slavery was thought to be the most natural thing in the world, and the idea that a society could operate without slavery was almost unthinkable. Then, starting at the end of the 18th century, humanity made a dramatic leap forward in its outlook on slavery.

In similar ways, for thousands of years, all agrarian societies operated within caste systems – the nobles ruled over the peasantry and Brahmins ruled over the untouchables. Had you suggested then that all men (let alone all women) could have equal rights, and that society could be ruled by demo-

cracy, people would have called you a fool at best. These ideas were quite literally unthinkable.

It appears that we might be about to make a similar leap again. I think the notion that we need power hierarchies – layers of hierarchy – to run organizations will soon come to feel slightly ludicrous, a remnant of some outdated past. I believe our children and grandchildren will ask us, somewhat incredulously: You've worked in organizations with layers of hierarchy? You've had a boss who, on a bad day, could nip in the bud a great idea? A boss that for good or bad reasons could decide on your career advancement?

For the last three years, I have been researching the emergence, in many

different places in the world, of large organizations that operate entirely without power hierarchies. These are truly powerful and soulful organizations, much better equipped to deal with the speed and complexity of today's world. And yes, in case you wonder, financially they are highly successful. Of course, the sample size is low, and comparisons are fraught with methodological problems, but in terms of achievements they seem to beat hands down traditional organizations that are held back by hierarchy.

Historic breakthrough or wishful thinking?

I'm curious how this idea of large and successful organizations operating without hierarchy plays with you. When I share the insights from this research, I've noticed that most leaders have two reactions at once.

On the one hand, a part of them wishes this were true. Perhaps this is your reaction too. We have all experienced how our pyramidal organizations based on hierarchy suck up power to the top and generate lots of politics, silos, and infighting. We intuitively sense that pyramids are not agile enough to deal with today's complexity and speed of change. No matter how much we try to simplify complex issues in neat PowerPoint slides, we overwhelm members of executive committees who in endless meetings try to make the right calls on issues whose complex context and implication they cannot possibly grasp.

Gary Hamel expressed it well when he said that "pyramidal structures demand too much of too few and not enough of everyone else." No wonder survey after survey shows that the majority of people in organizations feel disempowered and disengaged. Instinctively, leaders know this. They sense that the way we run organizations is somehow outda-

ted, somehow not fit for our times anymore.

On the other hand, another voice in you may be saying: *Come on, you can't have organizations without hierarchy! Perhaps a group of four or five people can operate without a boss.* But any group larger than that needs structure and needs a boss. Certainly, this is what I believed before I engaged in this research.

What we know now to be true, both from theory and from practice, is that, yes, in a larger group, we need structure, but no, we don't need a boss. Hierarchy is one way to attempt to deal with complexity, but not a very powerful one, really. It has served us well over the last hundred years, when the complexity we were dealing with in the world was low. Now that complexity has increased exponentially, it's time to shift to organizational structures that are more powerful, more agile, more resilient.

We are surrounded by systems more powerful than hierarchy

We don't need to look very far for inspiration. We are surrounded by truly complex systems that operate with clear structures and coordinating mechanisms, but no bosses. Take the global economy. Billions of consumers, millions of companies making trillions of choices every day. A complex system of staggering proportions. There are structures and coordinating mechanisms, but there is no boss, no pyramid trying to steer it all. Thank goodness, we might add! Only North Korea and Cuba still try to steer their economies with a central planning bureau, and we know how that is working out. (Note the irony, though: we scoff at the idea that you could run an economy through central planning, and yet still unquestioningly accept that that is the best way to run an organization.)

... more powerful than hierarchy

Or take the human brain. It has 85 billion nerve cells. It's a hugely complex and creative system; there are structures and coordinating mechanisms, but there is no one cell that calls itself the CEO and there is no executive committee.

Or let's consider a single human cell. A single cell is an extraordinarily complex system with countless chemical reactions and information exchanges happening continuously. All this complexity works beautifully, and within the cell there is no boss trying to control what happens.

Or think about your last hike in a forest. Simple as it looks, a forest is a hugely complex system with billions of living beings, ranging from micro-organisms to massive trees, that are all interdependent. Say the winter comes earlier than expected. The entire eco-system will adapt in coordinated fashion. There is no tree that claims to be the leader of the whole ecosy-

stem that will say: *You all wait! Me and my buddy trees from the executive committee will come up with a plan. As soon as we know, we will tell you what to do!*

All of these systems operate on principles and structures of distributed intelligence that are far more powerful and adaptable than power hierarchies.

There is hardly anyone today – leaders, employees, management thinkers, or academics – who doesn't sense that our current management practices aren't cutting it. But many of the proposed answers-culture change programs, leadership development, front-line empowerment, incentives systems-only aim at making the pyramid less problematic and fail to see the bigger picture. The world has become so complex that we have reached the limits of what hierarchy can deal with. It's time for an upgrade. We need to make a leap to systems *more powerful than the pyramid*.



Pioneering organizations have cracked the code.

The fascinating thing is this: it's already happening. In different places in the world, in different industries, organizations large and small have deciphered the way to operate based on systems of distributed intelligence. They operate entirely without boss-subordinate relationships, without anyone holding power over anyone else. And almost invariably, they are spectacularly successful.

Last year, the Harvard Business Review featured the case of Morning Star, a California food processing company. In a commodity business (Morning Star makes tomato sauce and ketchup), it churns out extraordinary margins and has come to dominate the industry with 50 percent market share.

There is Buurtzorg in the Netherlands, a nonprofit company founded in late 2006, active in the field of neighborhood nursing, caring for the sick and elderly in their homes. In a few years, it has overrun its competitors. Today, it employs 8,000 people, or 80 percent of all neighborhood nurses in the country! Nurses and clients have massively deserted the existing hierarchical players, whose obsession with squeezing out costs and constraining nurses in their choices had dehumanized care. Paradoxically, by focusing on good care rather than costs, Buurtzorg helps patients get better more quickly and ends up saving the social security systems hundreds of millions of euros.

There is the Orpheus Chamber Orchestra, a highly respected ensemble with residence in New York's Carnegie Hall, which operates without a conductor and without a director. There is Sun Hydraulics, a Florida-based producer of Hydraulic valves, that hasn't operated at a loss in 30 years in a highly cyclical business and that makes outrageous margins you might

expect from a software company, not a supplier of industrial goods. Talking about software, many companies have a first taste of self-management with agile programming methods, and in Silicon Valley, a handful of companies are now searching for ways to be entirely self-managed. Valve, a leading game designer and distributor, is perhaps the most advanced in this field.

Then there is Holacracy, a packaged self-management operating system that is being adopted by dozens of companies around the world, most famously by Zappos.com, the online shoe retailer owned by Amazon.

Self-management isn't experimental anymore

If you've never spent time thinking about organizational systems other than the pyramid, you might be forgiven for thinking that self-management is still something new, something experimental. It is not. W. L. Gore, of Gore-Tex fame, employs 10,000 people and has been operating successfully with self-management since the late 1950s. FAVI, a French maker of gear boxes, has been operating without hierarchy since 1983, and – never mind its high labor costs – has come to dominate the European market, while all its local competitors closed their factories and moved to China.

We now know how self-managing systems work. An organization without bosses needs to upgrade many of the basic management processes, and we understand how to do that. *Who can make what decision? How are people evaluated and compensated? How are budgets established (if at all)? How do you deal with low performers?* For these questions and many more like them, we have pretty clear answers. Self-managing organizations aren't simply pyramids where you've taken out the hierarchy. They are something else altogether.

If you struggle to get your head around self-management (as I did before I studied this) then I imagine that by now, there are all sorts of "yes, but" questions popping up in your mind. I hear these questions all the time when I share my research: *Yes, but is this possible for very large organizations? Is this possible with publicly listed companies? Is this possible in highly regulated industries, like electricity generation or banking? Is this possible in countries with a strong culture of hierarchy?*

In some cases we can answer with a confident "yes" because there are existing and successful companies we can point to. In other cases, the proof will be in the pudding, when more organizations make the leap. When people ask me these questions, though, I invite them to listen to where their questions come from. Could it be that your "yes, but" is but a way to push away a possibility that conflicts with current assumptions you hold about people and work? Could it be that you are looking for clever ways to say, "This might be possible for some other organizations, but mine is different?" because you are not sure you are ready to make the leap?

A whole lot of unlearning and relearning is needed

Of course, the idea that you could run an organization without layers of hierarchy is so radical that it can make people nervous. Isn't this just a recipe for disaster? Will everyone just do whatever they want? Can anybody just make any decisions? Some people surely have more experience or skills than others to make important decisions, so why wouldn't they call the shots?

Remember, these new organizations aren't workplaces from which you would simply have removed power hierarchies. They operate on an entirely new and more powerful set of structures and coordinating mechanisms. Arguably, these systems have more control built in than traditional hierarchies. The control is simply no longer dependent on a cascade of bosses, who might exert that control well or not, but is baked into the system itself.

A whole lot of unlearning and relearning needs to happen for us to wrap our heads around these new systems. But once we "get" the system, it all suddenly makes sense, because form follows function, because these organizations actually formalize the way we would naturally try to do things if we weren't constrained by a rigid organizational chart and reporting lines. The organization adapts to the work that needs to be done, rather than the work to the organization.

Without a power hierarchy, natural hierarchies emerge

Let me share one frequent misconception. Often people assume that organizations without layers of hierarchy are "flat," that everyone is equal. That's not the case at all. When you take out the power hierarchy (in other words, when you take out the fact that a boss has power over his or her subordinates), something wonderful happens: natural hierarchies emerge. Hierarchies of skills, experience, contribution, and reputation.

This is the source of the extraordinary outcomes we so often witness with self-managing organizations: power is no longer a zero-sum game. Here we stumble upon a beautiful paradox: *people can hold different levels of power, and yet everyone can be powerful*. If I'm a machine operator – if my background, education, interests, and talents predispose me for such work – my scope of concern will be more limited than yours, if your roles involve coordinating the design of a whole new factory. And yet, if within what matters to me, I can take all necessary actions using certain well-defined processes, I have all the power I need.

This paradox cannot be understood with the unspoken metaphor we hold today of organizations as machines. In a machine, a small turn of the big cog at the top can send lots of little cogs spinning. The reverse isn't true – the little cog at the bottom can try as hard as it pleases, but it has little power to move the bigger cog. The metaphor of organizations as complex, self-organizing systems can much better accommodate this paradox. In an ecosystem, interconnected organisms thrive without one holding power over another. A fern or a mushroom can express its full selfhood without ever reaching out as far into the sky as the tree next to

which it grows. Through a complex collaboration involving exchanges of nutrients, moisture, and shade, the mushroom, fern, and tree don't compete but cooperate to grow into the biggest and healthiest versions of themselves. In many ways, self-organizing companies have more, not less hierarchy, but they are natural hierarchies, in which everyone is supported to grow and unfold.

Can you make the mental upgrade?

Let's summarize: we know that all complex systems in the world operate on structures and processes that are more powerful than those of the pyramid. And we now have enough examples of self-managing companies that have cracked the code to create organizations on these principles.

We know that these organizations can be spectacularly successful and that people love working there¹. Actually, even people who used to be "bosses" love it. They no

longer have to deal with the politics, no longer have to fight for their turfs and their careers. They don't need to motivate subordinates any more. No more endless meetings either, no more people throwing their problems up the hierarchy to them. Often, this comes as a huge relief. They can focus on doing creative work again, something they now realize they missed terribly, and they can trust the system with the rest.

Unless you have already spent a lot of time looking into self-managing systems, I assume this article might have raised more questions than it provided answers. Perhaps this all sounds puzzling, somewhat unreal. My invitation is for you to listen to that part of you that senses there must be better ways to run your organization. The next time you are frustrated in your work because you have some important goal, something important you



know you could contribute, and you feel you waste your time in fighting the system, in aligning egos in long meetings, I invite you to ask yourself this one question: how much more fun and productive would work be if the organization upgraded its structures and management practices? Go and read about Morning Star, W. L. Gore, Buurtzorg, and the others, go and visit these places and start to imagine what it could look like for your organization.

I believe we are at the beginning of a historical shift and that our grandchildren will be puzzled to discover that we have known a world full of bosses and subordinates. Among the many questions I imagine they will ask us might be this one: what role have you played in this shift? Did you see it coming? Were you among the pioneers making the leap? These are exciting times, and we can help usher in a new chapter in the history of management.

1__ I often get asked the question "Are there examples of companies that tried self-management and failed?" The answer is yes and no. Yes, there are many organizations that have tried to take out hierarchy but haven't found what to replace it with. That is indeed a recipe for chaos, and many organizations have then quickly reverted to the pyramid to try and get a grip on things again. But haven't yet come across an organization that has gone all the way and replaced the pyramid with a coherent self-management system that has failed to achieve outstanding results. I

The Book/the Author:

"Reinventing Organizations: Über die Entwicklung ganzheitlicher, sinnerfüllender und wachstumsorientierter Organisationen" by Frederic Laloux was published by the Vahlen Verlag in 2015 (ISBN: ISBN 9783-8006-4913-6). Further information is provided at: www.reinventingorganizations.com; those who prefer watching videos can go to www.youtube.com/watch?v=gcS04Bl2sbk, which presents a lecture by Frederic Laloux.

**Biography:**

Frederic Laloux works as a consultant, coach and mediator for managers who feel inspired to explore entirely new organizational processes.

He was an Associate Partner at McKinsey & Company, earned his MBA at INSEAD and holds a diploma from the Newfield Network in Boulder, Colorado. Frederic Laloux lives with his wife and two children in the Belgian capital of Brussels.

Coverdale: Specialists in leadership and teamwork ... in our own interest as well?

Our mission of "enabling people to succeed together," to which we have devoted ourselves for the past 50 years, including 35 in Germany, has also influenced the evolution of our own organization. An overview and a review of past experience are provided below.

by Andreas Schattschneider

The form of our organization:

A central aspect considered within the context of the founding of Coverdale Deutschland by Jan Bod Sperling was that of employee participation in the company. He established the firm as a "GmbH" (roughly equivalent to a private limited company), in which employees could acquire shares after two years of service. No distinction was made between consultants/trainers and colleagues who worked in offices. The basic idea of the "employee-owned organization" was and is to promote strong ties to the organization and establish a framework that supports entrepreneurial thinking and action. At first, our founder held the majority of shares. Following the transfer of executive duties to our present Managing Director, Thomas Weegen, the process of establishing an "employee-owned company" was pursued to completion. Today, there is no majority shareholder, as every employee is allowed to acquire only a certain number of shares. Our current rules also specify that only active employees may hold shares. In other words, Coverdale buys back shares

held by employees who leave the organization at a price determined by agreement. This procedure ensures that shares are widely distributed among active members.

Management:

The Managing Director bears full executive responsibility in business matters but must be given approval by the shareholders at the annual shareholders' meeting. Coverdale's business operations are managed by the Managing Director and a core executive management team.

The core team is composed of two employees elected by their colleagues. As a rule, they rotate out of the executive management team after three to five years of service. The core team meets at regular intervals to discuss and render decisions on operational and strategic matters. Preparations for important decisions are ordinarily made by the core team and discussed with the entire team. An effort is made to achieve consensus in the decision-making process. When no consensus is achieved, decisions are made by majority vote. The Managing



Director is invested with veto rights (which have never invoked to date). In order to avoid allowing the core team to become an "exclusive club" and make the decision-making process as transparent as possible, one colleague is permitted to take part in each meeting and exercise equal rights as a voting member during that meeting.

Self-organization and the distribution of responsibility:

Although a number of higher-level decisions are prepared for and rendered by the core team, we make every effort to shift as much decision-making freedom and responsibility to those units and/or functions that possess the relevant professional expertise and

are best able to assess the effects and impact of the decisions in question.

For example, the client consultant bears sole responsibility for the quality of services rendered to the client. In other words, he decides in consultation with the client which measures are to be implemented and which colleagues will be assigned to a given project. In the early years of Coverdale, trainers were assigned by a central office responsible for trainer assignment planning. Today, assignment planning takes place on the basis of agreements between client consultants and their colleagues. All trainers share equal responsibility for the substantive design and quality of consulting activities.

In unclear situations and case of unsuitability, the respective course director/head trainer at the seminar location decides on how to proceed. If the client or several seminar participants are dissatisfied with the trainer's performance, the client consultant is involved in the process.

When situations escalate, the core team is actively involved in the process.

At Coverdale, working hours are regarded as a matter of trust. We have a monitoring system that records days spent in service to the client. Decisions as to which topics are covered and by whom during the "remaining time governed by contract provisions" are made by the colleague in question. This also applies to participation in our staff meetings, which we regard as very important parts of our virtual structure. Yet we leave decisions about priorities and participation up to our employee in this context as well. And speaking of work time: All employees are entitled at the beginning of each business year to specify the amount of time (as a percentage of days) they intend to work for the company during that year. Each employee is then responsible for meeting the target he or she has set and accountable for all necessary consequences.

"Days" can be saved on the basis of lower work-time percentage agreements or overtime, which means that longer trainer pauses are possible. Given sufficient preplanning, employees (at all levels, including that of the Managing Director) can take advantage of the option of taking a sabbatical.

Continuing and advanced training are promoted in two ways, either in the form of group programs or indi-

vidual training for employees funded from each employee's personal training budget. Within the limits imposed by the training budget, employees are free to choose the type of training they wish – subject to the condition that they consult with two colleagues of their choice and succeed in persuading them that the decision is a sensible one.

In cases of conflict (internal or external), every employee is entitled to obtain external support from a coach, supervisor or mediator.

The following basic principle applies: "Everything that is reasonable and appropriate is possible." This basic attitude shapes our day-to-day actions. The direction is not determined by targets or clearly defined budgets and corresponding monitoring activities, but rather by individual or group assessments of the meaning and purpose of given activities or investments. All employees are entitled to make minor technical investments within their own scope of administrative discretion. It goes without saying, however, that, in the case of self-initiated or preordained projects, responsibility is assigned to specific individuals who define and communicate goals and project plans.

Solidarity

Clearly defined agreements pertaining to across-the-board salary reductions apply in cases of critical financial situations. These agreements are designed to keep all employees on board. Personal crises can occur in the life of every individual, and the entire staff makes every effort to take up the burden in these cases. We also strive to make a contribution to society in the spirit of our mission by offering our services to nonprofit organizations at reduced daily fees.

Challenges and lessons learned from experience

The manner in which we have established and developed our organization has led to a high level of employee loyalty and contributed significantly to our qualitative development.

In the course of our own ongoing organizational development process, however, we have naturally experienced critical phases and gained a number of insights which we are currently implementing:

Never let up – Our in-house processes, agreements and responsibilities – no matter how well-designed they are and how enthusiastically they are welcomed at the outset – tend to lose their luster and effectiveness after a while and are no longer accepted as valued givens. They need to be re-activated regularly in the minds of our employees and reviewed and adapted as needed. This sense of shared identity is particularly important in a virtual environment influenced by a significant degree of self-organization.

Transparency and dependability are determining factors – The basis for teamwork in such an open organization is built upon trust and communication with respect to the rules governing teamwork and cooperation. In other words, processes and agreements must be transparent. Changes in or deviations from agreements must be transparent and comprehensible. If these principles are not applied consistently, interplay becomes random and trust diminishes.

Onboarding the right way – Much of what “long-standing” employees take for granted is totally unfamiliar territory for new staff members. Therefore, everything that is important to an organization must be passed along appropriately, with all of the corresponding considerations and expectations. Otherwise, disappointment is bound to emerge.

In times of crisis, the self-organization faces significant challenges, and that presupposes a great deal of trust and an active feedback culture among all colleagues. That is easier to uphold in economically more favorable times, but during crises, the demand for direction and control by management grows stronger within the organization. The reverse delegation of responsibility should be avoided in order to maintain an acceptable level of individual accountability and shared responsibility for the system.

Decisions at the right place? – In order to ensure that all employees grow and develop to the best of their abilities, it is helpful to stop and think from time to time about whether decisions are being made at the right place and what changes need to be made.

Specialists need help as well – Specialists need help as well – This is not a new insight and it's actually the basis of our business model, but it is always helpful to experience it firsthand (in the spirit of learning from experience). Those who are involved in the system often fail to see the woods for all the trees and need outside help. And we thank our consultants for that.

Organizations > continuing progressive development

Framework conditions and the business environment are changing for organization at an increasingly rapid pace. In many business sectors, global markets characterized by numerous different local consumer expectations and conditions have emerged. Competition has become increasingly global in many sectors. An organization's economic aims and basic operating conditions are supplemented by aims in the areas of compliance, integrity, diversity, environmental protection and corporate social responsibility. These form complex target systems that are often difficult to reconcile with one another. Development cycles become increasingly shorter. Progressive digitization leads to accelerated communication and a tremendous increase in the quantity of information to be processed. Outsourcing and intensified cooperation with other organizations and thus with other corporate cultures also heighten the challenges. All of these factors result in a significant rise in complexity.

Exponentially rising rate of change

Since the mid-1990s, the number of transactions that must be managed by people and organizations within the available timeframe has increased tremendously. This rise in the number of transactions has been exponential, rather than linear. It has become increasingly evident that this drastic rise in the rate of change is a culture-altering phenomenon in all societies.

This phenomenon impacts on all aspects of our lives. The logical consequence is constant readiness to respond. In internationally active business organizations that operate 24/7 at the global level, the frequency of transactions increases at a disproportionately high rate, thereby apparently inflating the workload immeasurably.

One of the current challenges facing organizations is that decisions must be made much more quickly in the digital age. Google speaks in this context of micro-moments (individual decisions or course changes), which have become more frequent thanks to digitization.

This increase in the speed at which decisions are made also compels organizations to react more quickly. This means that organiza-

tions must also make decisions faster. Otherwise, customers will lose interest and may switch to a competitor. Only those organizations that are capable of making quicker decisions – and thus of reacting faster – have a clear competitive edge.

Characteristic features of the business environment and its impact on the organization

Increasing complexity results in a shift of emphasis in our organizations.



Dealing with complexity in hierarchical organizations

Hierarchies soon reach their functional limits in an increasingly complex world. The process of reconciling target systems grows increasingly complex as well. It takes too much time to pass decisions up and down within hierarchical organizations before they can be adopted and acted upon. People in hierarchical organizations sense

this and may well react accordingly: Top managers stop making decisions because the environment and possibly the objectives change so quickly that they fear making wrong decisions. Employees react to that and look for informal approaches that will enable them to keep working effectively. No one waits for decisions to be made. People simply take action – often without adjusting aims accordingly.

Developing new organizational form

Traditional, hierarchically structured organizations recognized this dilemma many years ago and have since made an effort to refine their hierarchies by introducing matrix organizations. The aim is to make better decisions by considering additional perspectives and points of view (project-based, process-based, regionally based perspectives, etc.). As a rule, this has led to an increase in complexity and often to multiple power struggles between line and matrix management. The additional necessary perspectives were successfully introduced by the matrix. The matrix organization does not respond adequately to increasingly internal and external processes.

Agile structures as an effective response to increasing complexity and dynamism

Agile organizational structures originated in response to the pressure to develop more dynamic processes and focus constantly on the objectives to be achieved. The consequence is continual organizational readjustment. In essence, the agile organization functions like a living, breathing organism that is capable of contrac-

ting or expanding. Every constituent element (employee) is embedded within the organism at the point at which it is of greatest benefit to the objective. The basic idea is that competence teams composed of those members who are best suited for a given mission, project or objective and capable of generating the greatest benefit will be formed on the basis of self-initiative and personal responsibility.

It is important to realize that the leadership paradigm of an agile organization consists in its ability to shift decision-making authority to precisely where the greatest professional expertise is concentrated – namely to the organization’s competence teams.

In other words, the concept of leadership we have come to know from our experience with hierarchical systems, which places the ‘biggest’ expert at the pinnacle of the hierarchical pyramid, is turned upside down.

In an ideal case, every employee or member of an organization could be given the chance to assume a temporary leadership role within a competence team if he/she demonstrates the greatest competence with respect to the task in question. Decisions are made immediately within the competence

	Stable environment	Dynamic environment
1 Basic self-image	– The organization as a machine	– The organization as an organism
2 Management principle	– Administering	– Designing
3 Planning	– The chosen path is clearly structured. – All influencing factors have been identified.	– Minimum planning security – Changes are omnipresent.
4 Based on predictability	– Clearly defined rules – Fixed roles – Economies of scale	– Willingness to adapt – Continuous redefinition of roles – Intuition and integration

team, without waiting until a decision is rendered at the highest level of the hierarchy. The prerequisites for success are strong trust and the involvement of employees capable of acting self-reliantly. In the military, this principle has been associated for several years with the concept of the Special Forces.

Hybrid organizational forms

Hybrid organizational forms link multiple organizational forms within a corporate organization, including the traditional hierarchy, the matrix organization and the agile organization. There is NO SINGLE perfect organizational form. Business organizations must ask themselves which form is best suited to the achievement of their aims. One useful question might be: 'Where is it important to adhere to process specifications and where do we need more innovative drive and flexibility?'

The greatest strength of hierarchical systems lies in the execution of clearly defined processes that are not subject to such rapid changes. An effort is made to minimize deviations from the system.

Agile organizations are especially well suited for creative, innovative systems. They strive for innovative excellence and accept system deviations that create space for creativity. Decisions are made much more quickly.

Leadership in agile structures

The leadership principle is totally different in an agile organization. Leadership is not eliminated, but the focus of its actions changes. Leadership shifts from the top to the 'grass roots' level. In other words, responsibility for decisions is delegated to the individuals or teams that possess the most professional competence. Every member of an agile organization is entitled to make decisions within the limits of his or her abilities. This relieves pressure from an otherwise overburdened management team and enhances the quality of decisions.

Apart from the purely statutory requirements that make leadership necessary, however, the focus and style of leadership are subject to change. The management of any agile organization is tasked with designing the functional framework for the organization. Leaders act as catalysts in an agile organization. They provide inspiration and ideas, but do not make all decisions. Leadership offers meaning and a great deal of contextual guidance (i.e. leading on the basis of meaning/purpose).

Although the basic elements of good leadership are likely to remain in force, the roles and attitudes of managers change significantly in an agile organization.

From dictator to framework designer

A necessary prerequisite for effectively functioning agile organizations is the principle of delegating decisions downward as far as possible. That requires a clearly defined framework and rules designed to ensure that decisions are made in keeping with the aims of the organization and coordinated with decisions made in other departments. This means that managers dictate less, yet ensure at the same time that a structuring framework and rules that support coordinated self-organization are firmly established.

From impulse provider to impulse broker

Whereas managers in traditional organizations provide the majority of impulses, the task of managers in self-organizing structure is to receive impulses from within the organization and, if necessary, to reinforce and pass them along. Managers are also responsible, in cooperation with employees, for designing structures and processes which ensure that impulses/ideas are taken up and passed along in keeping with the organization's aims. Thus the manager becomes an impulse broker.

From controller to enabler

The manager's job is to ensure that the self-organization of his/her own area of responsibility functions in keeping with the organization's aims. Employees must be able to clarify objectives quickly, reconcile them with the aims of the organization and coordinate with others for the purpose of implementing the best possible course of action focused on achieving the aims of the organization. The manager is no longer focused on exercising control, but instead on ensuring the enablement of the relevant employees.

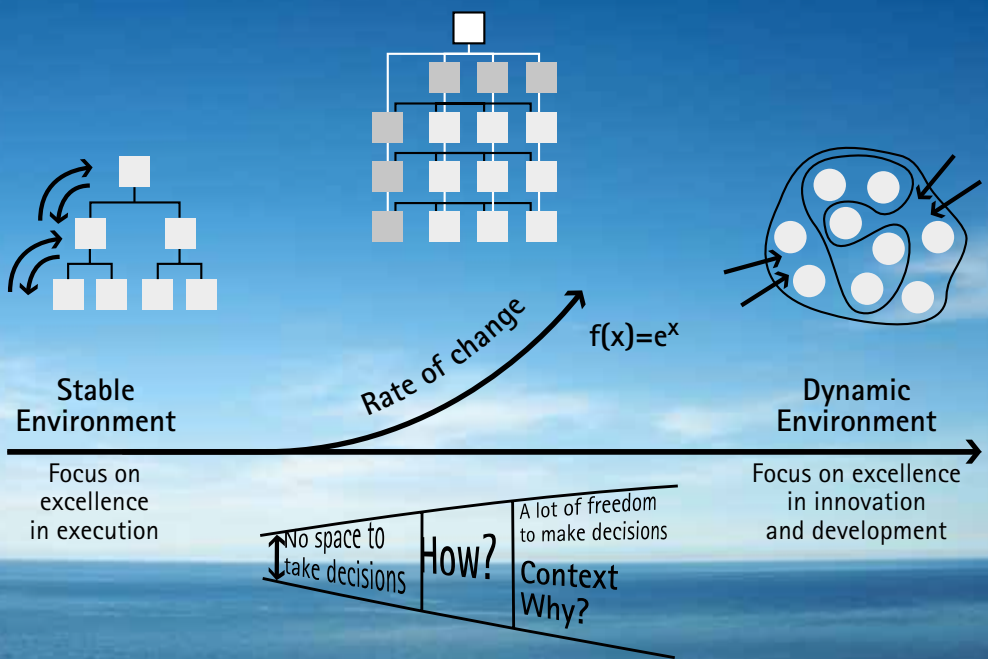
From organization leader to organization developer

Continuous adjustment and development of the organization within the manager's own area of responsibility and in coordination with other areas of responsibility are the primary focal points of management activity.



Ralph Schubert, Partner

Born in 1960; degree in Computer Science; many years of international senior-level management experience; a consultant/trainer and coach at Coverdale Deutschland since 2001



The following success factors contribute to effective management in fluid organizations:

- The vision must be inspiring.
- Strategic goals must be derived from the vision.
- Needs-based resource allocation
- Watching for excessive stress situations affecting team members
- Building integration and change skills
- Building a feedback culture that preserves relationships
- Recruitment and training of suitable employees


The unpredictable nature of the future and a constantly changing dynamic require that management is equipped with greater coordination skill and substantial social competencies.

Helpful questions to be asked in preparation for agile organizational forms.

- Where do uncertain, unforeseeable situations requiring rapid decisions arise?
- Where is creativity needed most?
- Where must decisions be made quickly and locally?
- Where do employees know more than their boss?
- Where can a boss delegate decision-making authority?
- Can the boss assume the role of a catalyst?
- Where can competence teams be built?
- Are there values and a vision capable of carrying the group forward?
- Do employees have the qualifications and the profile required for an agile organization?

This article (based on a concept developed by Ralph Schubert) is from the new edition of Coverdale Manual 5. The "Manuals" series represent the working basis for Coverdale seminars and advanced training programs. **Manuals can be ordered from www.coverdale.de**





A patch of snow, molded by the sun, the wind and melting water into unforeseen shapes – a model for fluid organizations. This organizational chart conforms to the influences/wishes/needs of clients and is constantly changing.

Case Studies

In its role as an organizational consultant, Coverdale has been supporting business enterprises in the process of introducing self-organized units for many years. Managing directors discuss their experiences on the following pages.

In an interview with Ulrike Böhm, Tobias Moers from Mercedes AMG GmbH discusses the personal insights he has gained from the implementation of self-organized competence teams and the changes associated with this type of organization.

Michele Jauch Paganetti from Mercedes Benz Design Studio Como describes (among other things) the next stage in the process: the development of a salary system that takes the quality of teamwork into consideration as a variable component.



Ulrike Böhm, Partner
Born in 1958; business correspondent with many years of experience in international management and project supervision, consultant/trainer and coach at Coverdale Deutschland since 1999.



A new organizational model at AMG

Communication is everything ...

The results of a small survey on the question of the characteristics respondents associated with Mercedes AMG were surprisingly consistent: fast, highly productive and innovative. These attributes impact within the organization as well. Supported by pioneering spirit, AMG rapidly introduced a new organizational model in 2012 that has significantly increased productivity in the area of project management.

The core elements of this model are self-organized competence teams which act as operational business units in the field of component development. The Controlling, Development, Purchasing, Quality Control, Logistics and Product Data Management departments are represented by experts on each competence team. A full-time competence team manager guides each team by coordinating the activities of employees, monitoring component development status, reporting to the relevant project managers and escalating processes, if necessary. The competence team manager is the first point of contact for projects. Direct coordinating activities are carried at the expert level. The team is responsible for component development in accordance with project requirements, proposes the best possible solutions for projects and remains responsible over the course of the entire project life cycle. So-called "AKV" guidelines define the duties, competencies and responsibilities of project and competence team members.

? AMG is a pioneer in the implementation of a competence-team-based organizational structure. What prompted corporate management to break the traditional organizational forms down into separate parts and replace them with self-organized units known as competence teams?

:: Prior to the introduction of competence teams, the project was the sole



ocus of attention. All component and function developers worked for the project. Over the years, the number of projects rose substantially under the influence of sustained business success. Consequently, developers were able to perform their assigned tasks, i.e. to develop components or functions, but no longer had time to take part in project team meetings. The volume of work could no longer be managed within the traditional project structure and management scheme.

That prompted me in my capacity as Development Director to look into alternative organizational forms. Back then, Coverdale inspired me through a presentation on "Fluid Organizations" to consider self-directed organizational units as well, and we developed this idea progressively along the lines of the present-day competence teams. These gave birth to highly efficient business units that assumed the role of suppliers. Represented in these business units are all individuals concerned with the topic in an interdisciplinary sense and responsible for a specific component landscape. What sets competence teams apart is the fact that they do not work exclusively on specific projects and are not disbanded once a project comes to an end. These teams are permanent and work in their areas of specialization in all projects. They have a kind of 1:n relationship to projects as they progress through the different phases – the initiation phase, the middle phase and the advanced phase.

? How long did the restructuring process take to complete?

:: We're actually not finished yet. There is no place for static organizations in my theory. It is important to be positioned flexibly and to review and adapt the organization as needed via optimization loops. We needed roughly nine months for

the introduction of the competence teams. We worked in keeping with the principle of trial and error. We started with about twelve teams in 2012 and then made adjustments as we went along.

We recently completed a major consolidation phase in which we honed and optimized specifications and processes and defined them more precisely. At the end of the phase we reduced the number of competence teams to eight.

We have since invested as well in construction measures. The "Building Shell" competence team will soon be able to occupy the first open space office, where some 60 employees who have previously been working in different offices and buildings will be brought together.

? Each competence team is led by a competence team manager. How does one become a manager? Are managers elected by their teams?

:: No, we don't go quite that far. We use a traditional appointment process in which candidates are invited to submit applications. Competence team managers are recruited from the administrative staff.

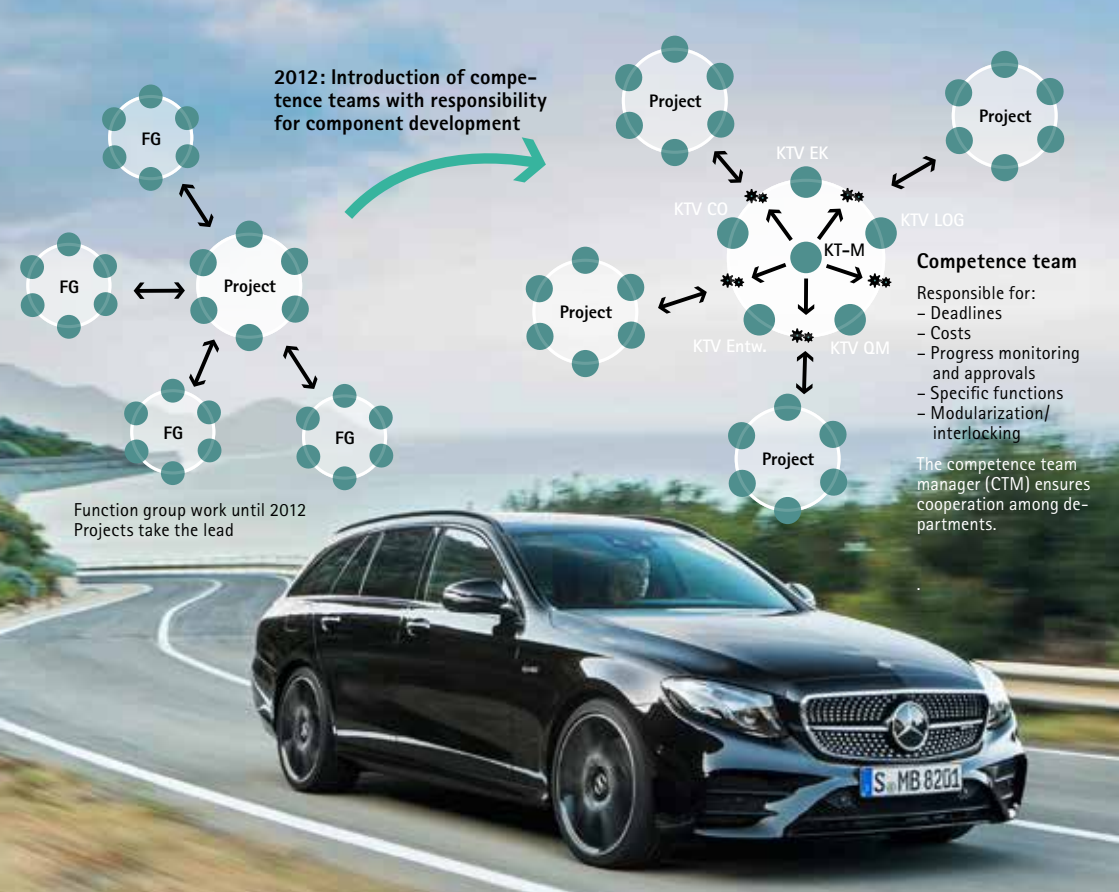
GOALS ASSOCIATED WITH THE IMPLEMENTATION OF COMPETENCE TEAMS:

- Deriving the benefits of synergies
- Enhancing efficiency
- Strengthening interdepartmental cooperation in everyday work
- Involving competence teams in the goal-setting process from the strategy phase onward
- Accelerating decision-making by expanding the scope of action at the level of everyday work
- Improving cooperation across project boundaries
- Lightening employee workloads

? What skills are competence team managers expected to have?

:: Our competence team managers are experienced project managers who exhibit strong social competence. They are expected to motivate their teams and generate enthusiasm for the work to be done. They must also represent the interests and decisions of their





teams within the corporate hierarchy, often two or three levels above their own.

? How did the organization prepare the managers and members of the competence teams for this change?
 :: We provided the competence team managers a certain amount of personal support as well as opportunities for personal development – on an individual, as-needed basis. We have since set up our extensive “Leadership” development program. A program devoted to interdisciplinary leadership has been introduced for competence team managers. Many competence team managers become eligible later on for management positions within the organization. We worked closely with the teams in order to ensure that everyone supported the process. We now expect that open space will bring a major breakthrough when everyone sits together and can communicate directly with one another. Communication is everything.

? Who or what determines the degree of self-determination exercised by the competence teams?
 :: We have a clear set of rules, including project targets, specified limits

within which competence teams may operate and an escalation process description.

? We have observed in organizations again and again that, while employees enjoy being given a greater degree of freedom, they often find it difficult to design and use it effectively. Have you experienced similar situations?
 :: We don’t have that problem. We have experienced a very different phenomenon. Everyone at AMG is intrinsically motivated to develop, promote and deliver perfect solutions. That is surely attributable to our “inner force” leadership principle. Motivation and passion are sometimes overpowering. Consequently, it is our job to channel these two “forces” and give precedence to responsibility for making timely decisions regarding the need for escalation.

? How has the role of line managers changed?
 :: Parts of the change process are difficult because managers in cross-disciplinary functions must reorient themselves in their role as leaders. Employees in these departments work in a decentralized organization, and they will soon be sitting along-



Tobias Moers

Tobias Moers was appointed Chairman of the Executive Board of Mercedes-AMG GmbH in October 2013. He has worked for Mercedes-AMG since 1994 and was responsible for project management and development relating to various business objectives. Tobias Moers assumed executive responsibility for the major AMG series in 1999. As head of the Full Vehicle Development Department, he was assigned responsibility for the production of all AMG series in 2002. Moers was appointed to the Executive Board chaired by Ola Källenius in 2011.

side their colleagues on the competence team in an open space office. We are well aware that this poses a challenge for managers. And so we will be addressing this issue separately within the framework of the aforementioned leadership program.

? Presumably, competence team managers often know more than their direct supervisors in management positions. How do supervisors deal with that?

:: Yes, competence team managers have a knowledge edge. That is another aspect of the change process, which is still in progress. The "Leadership" program supports them in this respect as well.

? AMG has numerous interfaces with the Daimler Group. How do these interfaces, which are ordinarily situated in rather more traditional, hierarchical corporate units, react to the competence team organization?

:: Nothing has changed for the people in the Daimler Group with whom we deal. They still have their designated points of contact.

? How have you prepared the interfaces that are affected by the reorganization process for these changes?

:: We have discussed our restructuring process openly on numerous occasions and received a great deal of positive feedback: "a great idea".

? If you were to venture an interim assessment after four years, do you think that you have achieved your primary goals – lessening the workload of the concerned departments, exploiting synergies and heightening efficiency?

:: Yes, definitely. Otherwise, we wouldn't be where we are today. We have expanded our portfolio significantly and will be in a position to offer our customers a choice of no fewer than 48 performance models by the end of this year. That would not have been possible if we hadn't taken this step.

? What have you done particularly well?

:: We have achieved a great deal. We have become more efficient. We are now faster and more productive. We are now much better at taking advantage of synergies that are available to us within a given component group or trade. That also helps minimize costs. We have much better cost transparency today. It is truly gratifying to see how consistently and competently our colleagues represent their interests on the relevant boards and committees. We had never attained this level before.

? What would you say you could have done better?

:: We were ultimately too slow when it came to gathering the teams together in the same space. And we may

AMG

Hans Werner Aufrecht and Erhard Melcher, both avid racing engine development engineers, founded their own company in Großaspach in 1967 after DaimlerBenz AG had previously discontinued all motor sports activities. They envisioned marketing road vehicles based on the model of successful race cars. AMG evolved into a mid-sized enterprise from the 1970s to the late 1990s. A cooperative agreement with DaimlerBenz AG signed in 1990 enabled AMG to use Daimler's global sales and distribution network for AMG products. The

two firms collaborated on the development of vehicles during the ensuing years, and AMG was finally incorporated into the Daimler Group in 1999. AMG now operates as Mercedes-AMG GmbH. More than 1,400 people are currently employed at its headquarters in Affalterbach..

have waited too long to initiate the consolidation phase that has just now been completed. In summation I would say that that was the best thing we have ever introduced in our organization..

? What would you recommend to other business enterprises with respect to the implementation of self-organized teams?

:: Figuratively speaking, we performed open-heart surgery. To do that, you have to be thoroughly familiar with your processes. You have to be aware of the risks involved and know what has to come together how and when in order to ensure that you can intervene if the need arises. And we did precisely that when we realized that the new organization was not yet working effectively in certain areas.

In general, I would advise existing business enterprises (this may not apply to start-ups) to plan, implement and live with their programs for a while and then to conduct an in-depth review for the purpose of taking a decisive step toward optimization. Honestly, the more consistent you are from the outset, the better things will turn out. That also means taking all aspects into consideration – from the use of space to your own behavior as a manager..

? What do you think managers should pay particularly close attention to?

:: They should trust their employees and support them in their efforts.

They should allow them to make mistakes and learn from them through regular reviews. In this new, highly dynamic world, managers are compelled to cope with a certain amount of uncertainty. Managers need to relinquish some of their responsibilities and control functions and act more like coaches who support and guide their employees, confirming progress rather than merely monitoring it.

? What have you learned from the process yourself?

:: Perhaps that I was too personally involved in the restructuring process, hoping to relieve my employees of some of the additional burden. I would do that differently today. Early involvement of employees, communication, and the timely assignment of responsibilities are key success factors.

Thank you for this candid discussion,
Mr. Moers.

Trend Scouts at Lake Como

Future Design and Forms of Organizations

Interview with Michele Jauch-Paganetti, Director of Design-Studio Como. The interview was conducted by Ulrike Böhm.



Ameluna lamp designed by the Studio Como for MercedesBenz Style, produced and marketed by Artemide, first presented at the Furniture Fair in Milan in April 2016.



3-D clay models

The Design-Studio Como

is one of four MercedesBenz Advanced Design Centers in the world. Employees who work at the tradition-rich Villa Salazar on the shore of Lake Como benefit from the studio's proximity to the fashion and industrial metropolis of Milan. Here, vision, inspiration and creativity are blended to produce a wonderful design. The job of the designers in Como is to identify long-term trends and develop interiors for MercedesBenz vehicles that will be introduced to the market several years later. The creative ideas developed in Como are united with those from the other design studios at the Advanced Design Center in Sindelfingen, from where they eventually find their way into serial models produced by MercedesBenz. Como is also responsible for a number of special projects devoted to such as aspects as boat and helicopter design, for example. Roughly 30 people are currently working in Como.

? Mr. Paganetti, since 2015, the Design-Studio Como has abandoned a multi-stage design and development process along with the associated bureaucratic structures in favor of a so-called fluid structure. The first preparatory discussions took place in 2011. What prompted you back then to venture onto this new and unfamiliar terrain?

:: If you manage a satellite studio like Como for ten years and wish to maintain a certain level of creativity, you can't assume that you have achieved a lasting high standard of creativity and can rest on that accomplishment. Things change – that's just human nature. Everyone grows older, individuals' personal circumstances change and behavior patterns and processes become routine. After about five years I realized that our performance was no longer as good as I would have hoped, and the our top design management was increasingly critical.

It was at about that time that I attended a lecture by Ralph Schubert on the subject of the "fluid organization." I must admit that I was quite skeptical following his presentation. I simply couldn't imagine that this model could be implemented in a tradi-

tional company like ours. But the idea stuck in my head. And I asked myself over and over again – with reference to my situation in Como – how it could help us enhance our creativity once again. We were also faced with the fact that it was becoming increasingly difficult for us to manage the number and complexity of projects under our hierarchical structure. It was simply too much – especially for our teams. There were two choices: We would either have to create new management positions in Design (for which no resources were available to me) or restructure our work.

I then gave more thought to the fluid organization concept and discovered a number of factors that could contribute to raising the level of creativity. Ultimately, I looked for a way for us to adapt the concept in Como. That led to the development of a concept oriented specifically to Como, which I then presented to my superiors. Although they were skeptical at first, they eventually decided to support the concept.

? Employees often associate management positions with a certain status. How did you prepare team leaders, for instance, for the changes in structure and mindset?

:: I explained the concept to our team leaders a number of times. As one might expect, they were not enthusiastic at first, even though they were assured from the outset that they would continue to receive their team leader salaries (although the job title of "team leader" would be eliminated). It took a number of lengthy discussions with the affected individuals (conducted with the support of the Human Resources Department) before everyone concerned (including the trade union) recognized that the concept is good and viable and that Como could become a kind of test laboratory for a new organizational structure. In was



Villa Salazar at Lake Como
The historical building erected in the late 18th century is home to the headquarters of MercedesBenz Italia, Advanced Design.



interesting to note that administrative personnel, in particular, believed that work would run much more smoothly if one management level were eliminated. Several people went even further and said that the performance of the Design Studio would improve if we established flat hierarchies in general and eliminated one management level.

? Creative competence teams, also known as cells, are the heart of the fluid design process. How are these teams structured?

:: The objective is to encourage – and push – employees to be more creative. Modelers, for example, are craftsmen. They used to work primarily on the basis of instructions issued by their team leaders and had little opportunity to make a personal contribution. And pay raises alone aren't really an effective means of enhancing creativity. Their impact wears off, and they usually miss their mark.

In the new structure, modelers can no longer complain about their

team leaders or hide behind them. They have to demonstrate their skills, and their contributions are there for everyone to see. The "cover" once provided by a team leader is no longer there. Each individual must take responsibility for his or her actions and contributions. That is only right – and it ultimately applies to all employees and not only to modelers.

Roles and responsibilities were defined in group workshops. Processes were developed, rules for interaction formulated and procedures agreed upon. The DAIMLER Integrity Code and Compliance Rules were also taken into account in the process.

Each team has a Competence Team Speaker or CTS. The CTS is usually an experienced designer who is familiar with the process a whole. We currently have three CTSs, each of whom can assume responsibility for two projects at a time.

The number of colleagues involved in a project varies depending on



SAM Arrow 460 Granturismo. A totally new yacht styled by the Design Studio Como in collaboration with MercedesBenz Style for Silver Arrows Marine.

the importance of the project and the project phase at a given time. Only two or three employees may be involved at the beginning of a project, but the number can increase gradually over time. All available colleagues may be enlisted for high-priority projects, in which case other projects are temporarily put on hold. That demands maximum flexibility.

? What is the guiding principle for the work of your teams?

:: When a project comes in, I decide who can work on it and which tasks each colleague can assume. Then I give an initial briefing to the team. I talk to the CTS about the tasks he has been assigned as well as the requirements and deadlines he is expected to meet. We don't always have all the information we need from the outset, which means that the CTS must obtain the missing information and coordinate with the relevant interfaces. The CTS is responsible for coordina-

ting with both outside parties and the team. He coordinates tasks, approves schedules and deadlines and acts as the point of contact for all team members.

By the way, the former team leaders are not necessarily the present CTSs. The position of the CTS is variable. The choice of CTS for a given project depends on the specific skills and experience required for that project.

This is the message I pass on to the teams: We must avoid internal battles and competition with each other. Competition has to take place in our relationships with external parties.

? How are decisions made?

:: Decisions are made by the team – but are also influenced by the views of outside parties. I am also involved. There are always different opinions about certain themes, of course. Design is the kingdom of subjectivity. That results in numerous, often quite emotional discussion, but that is how it should be.



Michele Jauch-Paganetti

Studied Transportation Design at the Art Center College of Design Europe at Lake Geneva. After completing his studies in 1991, he worked as a designer and senior designer for the Volkswagen Group at several different locations. Paganetti transferred to the Mercedes Advanced Design Center in Como in 2001. He has served as the Director of the Design Center since 2007.

When all is said and done, we decide in the interest of our client.

? What are the key challenges posed by this model? Where do you see its limitations?

:: The new structure is extremely dependent on people's willingness to assume responsibility, their desire to make a contribution, and the positive attitude of each employee. It takes only one person rowing against the current, and one can easily imagine the extent of the damage that results when someone refuses to cooperate. Everyone has to think for the team. Yet responsibility is the limitation. The fluid organization needs employees who are willing to contribute. Otherwise it can't work at all..

? We have observed in organizations again and again that, while employees enjoy being given a greater degree of freedom, they often find it difficult to design and use it effectively. Have you experienced similar situations? What factors contributed to enabling employees to actually take advantage of their creative freedom?

:: Many employees were overwhelmed, especially those who previously insisted that team leaders be eliminated entirely. People have to learn how to deal with freedom! And it's also important to stay in touch with employees on a regular basis.

? You are the initiator of the restructuring process and Director of the

Center. How has your role changed?

:: At first I kept a rather low profile in a formal sense. I wanted to ensure that responsibility for design was clearly in the hands of the CTS. I had to do that, since I had taken on other responsibilities following the elimination of the team leader positions. I now have more contact with other units at Daimler, for example. And I also spend more time travelling as a result. The team now focuses more attention on the design process.

CTSs require a great deal of coordination, and they tend to expect answers from me. I often remind them of their own responsibility for finding out who can provide them with the information they need without expecting me to obtain it for them.

I spend a lot more time communicating. Employees regularly lose sight of what the fluid structure actually means and what it stands for. It is my job to steer a creative process, which means inspiring others to contribute their thoughts and innovative ideas.

? You took another innovative step a year ago. You introduced a new variable salary component. How did that come about? And how much does the variable component amount to?

:: Hoping to make the fluid structure more palatable and acceptable, I wanted to offer our employees a financial incentive and reward them for things that are really necessary in order to ensure effective teamwork. In doing so,

I wanted to send a clear signal indicating just how important teamwork is for Como. Up till then, there was only one fixed salary and no variable salary component for administrative employees. I want to offer my employees a variable salary scheme that also takes the quality of teamwork into account. The underlying idea was this:

I reduce the present base salary by 10 percent. And I add a variable of 2 x 100 percent. If employees do their jobs in keeping with the applicable requirements and their work is evaluated as satisfactory, they continue to receive 100 percent of their salary and thus suffer no loss. But those whose performance in terms of teamwork is rated good by everyone concerned have the advantage of being able to exceed the 100-percent mark (a maximum of 120 percent is possible). The system is designed to ensure that no one gains an unjustified advantage or suffers an undeserved disadvantage. For it is highly unlikely that one individual would earn unsatisfactory ratings in all projects while another earns top ratings in all projects.

? How did you go about implementing the scheme?

:: In cooperation with our consultant and the MB ITALIA Human Resources Department, we developed a set of criteria. We presented these criteria to the team, collected feedback, made certain adjustments and ultimately had the scheme approved by the Human Resources Department.

? Who evaluates whom?

:: I evaluate the Head of Operations (who is responsible in equal part for project management and for CAD management for model construction), the CTSs and all other employees. The team members evaluate the Head of Operations and the CTSs. The CTSs and the Head of Operations evaluate employees involved in a given project. .

? How does the process work?

:: Evaluation is project-based in accordance with the criteria cited above. The system shows which employees are involved in a given project and for how

EVALUATION CRITERIA:

Professional expertise, such as:

- Adherence to schedules and deadlines
- Ability to deal with time pressure
- Ability to deal with complexity
- Creativity in general (applies to all employees) and creativity for designers. Each of these two criteria is linked to a factor, the factor for designers is higher than that for other colleagues, since creativity is an essential attribute for designers.
- Innovation
- Professional competence

Process competencies, such as:

- Teamwork quality
- Support for the feedback culture
- Team spirit
- Self-motivation
- Self-organization
- Ability to deal with difficult situations within the team

Zusammenarbeit mit den Schnittstellen

- Communication
- Know-how transfer

And applicable specifically to CTSs, such as: Leadership

- Team motivation
- Task coordination
- Involvement of team members
- Team member development

Potential areas for personal development in the areas of professional, process and management competence

long – during the entire term or did he/she join the project later and/or leave it earlier?

The duration of participation in the project is then calculated as a percentage.

A software firm wrote a software program designed to support the evaluation process for us. Within one month of the end of a project, I activate the evaluation process via the program, and a request for evaluation is automatically forwarded

by e-mail to the evaluators. The evaluation table is sent along with the request as an attachment.

The submission deadline is one month after receipt of the e-mail. At the end of the year, the system calculates a percentage for use in determining the amount of the bonus, which is then paid by the Human Resources Department in April of the following year. The system protects us against subjective evaluations based on gut reactions. Employees appreciate that as well.

? Is the evaluation transparent for team members?

:: The ratings of individuals are not reported to the team, and I would advise against that. I do discuss the ratings in face-to-face discussions, however.

? How have you prepared employees for this?

:: All employees were involved in the process of developing the evaluation criteria via feedback loops. We spent a great deal of time explaining the process and the corresponding requirements for employees. We had to field several unpleasant questions, of course – including some from employees from whom I wouldn't have expected them. That reflects, among other things, the sensitivity of CTSS when it comes to being evaluated by their teams.

I advised employees to be as honest as possible. I think it's very important that they stand behind the evaluations they submit.

? What experience have you gained from this change in the salary system?

:: On average, all employees earned more than they did last year, since teamwork improved considerably. Everyone was satisfied with that.



? The original purpose of the reorganization project was to raise the creativity potential. Was that purpose achieved?

:: I think our employees are now working more creatively. Several employees have made excellent progress in that regard and have assumed responsibility as a result of the new structure. And others are following suit, even those who were somewhat skeptical at first. When I see the innovative products we've recently presented to the public (e.g. the helicopter and the yacht), I feel very proud about the leap in creativity.

? What lessons have been learned from this restructuring process in your opinion?

:: I underestimated the need for discussion. I assumed that many employees would simply accept my arguments. But that was definitely not the



The Airbus AH145 T2 Mercedes-Benz Style helicopter is the VIP version of this series and has a maximum approved capacity of eight passengers. This model can be styled in Como individually and in keeping with the most demanding customer requirements. It ensures buyers a level of quality comparable to that of MercedesBenz vehicles

case. This issue triggers a wealth of emotions based on a wide range of motivating factors. And when emotions are involved, things take time.

What is still lacking is a stronger "we feeling." We are a team, and we have to get along with each other. We need to understand when another colleague wins a project that it's going to be good for us as well. We still don't live up to our motto: "We are one team. We win together, we lose together." Regrettably, that has a lot to do with the training program at schools of design, in which competition among students is encouraged – an approach that has survived from the Stone Age.

And a team can function wonderfully as long as every member assumes responsibility, contributes his or her experience and shares it with others. What matters is not my position, but my contribution, which goes hand in

hand with responsibility and experience. And that is what we evaluate.

? When you look back on your decision, do you think it was a good one?

:: Yes, definitely. I'm firmly convinced that it was the right decision – a decision for the future! In my opinion, it is essential for us to dispense with military-style hierarchical structures in creative areas! !!

Mr. Paganetti, I thank you for this interview.







Communication within
the Organization is
important!
Whether it's informal
communication in a
corner seating area ...

... ... or formal
communication
at a conference
table ...

New Space Concepts for Corporate Culture



... or an official discussion: The important thing is to realize that communication plays a role in the creation of value.

M.O.O.CON® – strategic consultants for sustainable objects and services that create identity

M.O.O.CON® is a specialist in customized building solutions. We provide guidance and support for clients from the private, commercial and public sectors in our four business segments: strategic consulting, building development, facility management and relocation. We understand the current and future needs of businesses and institutions, and we translate them into specific object and service strategies. M.O.O.CON® stands for a team composed of specialists in the fields of business management, architecture and project management. More than 60 employees at our four corporate locations advise clients in a number of different European countries.

Miguel de Almeida in an interview with Andreas Leuchtenmüller and Sabine Zinke on the question of the kind of (office) spaces an organization needs to create for itself.

Miguel de Almeida: Leadership and teamwork are the core themes in our work at Coverdale. We are currently closely concerned the subject of agile forms of organizations. We recognize that an "agile" manager needs to assume a very different role in which he gives his employees much more space and freedom for self-initiative and self-responsibility than a "traditional" manager. The agile manager is less an authority invested with power than an initiator and catalyst. That is where we are coming from, and so we thought it would make sense to talk with you about the spaces such organizations create for themselves.

Andreas Leuchtenmüller: When I deal as a consultant with agile organizations, I seek first of all to see and understand the organization as a structured whole. Our perceptions are focused in many cases on the headquarters through which the organization expresses its identity. There are, of course, cases in which an organization has evolved but its headquarters have failed to keep pace. When that happens, it's possible to determine the need for an infrastructure that conforms more closely to the organization's identity and business model.

As we move from producing organizations to service organizations, for which know-how plays a greater role, the process of generating value takes place outside the walls of the headquarters as well – at customers'

facilities, in home offices or under-way, on the road or in the famous "café". I then address the subject of what the individual employees actually do. What do people do when they are working at this central location, and how does that relate to their other duties and activities? This is one of six fields we examine in the organizational planning process and which form the basis for strategic infrastructure management and thus for workplace renewal. These six fields are Mission and Vision, Values and Standards, Goals, the Organizational Model, the Working Concept and the User Typology. We need to know who does what with whom and how, why and in what context they do it. And we need to know what they are supposed to achieve. In this context we also look at how an agile organization works with its clients/customers and partners: at a central location, in a decentralized approach, perhaps all together, dynamically or virtually.

Only when we have the answers to all of these questions can we determine what is needed from the perspective of infrastructure in a meaningful and economical manner.

Sabine Zinke: We have redesigned our corporate headquarters in Vienna in keeping with the underlying principles of Activity Based Working..

As consultants we began by analyzing our own working environment, and we recognized that four areas or spaces are needed: one for communication, one for concentration, one for creative work and one for interdisciplinary work. Everything takes place either in parallel or in succession and in the home, at the office or under-way. We used to plan for workstations depending on the number of employees. In our case we discovered that – due the reduced need for on-site presence – many workstations were used either rarely or never. This redun-

dant infrastructure can be dismantled or used much more effectively by designing it to offer possible workstations and spaces that provide better support for our work – in a totally different quality! This new design is not just an end in itself or merely a "new decoration" – it involves a fundamental change of infrastructure oriented toward our actual activities.

You are familiar with the old saying that "tailors always wear the worst suits." That's not true in our case. We live with the solutions we implement for our clients. That definitely makes a difference! When M.O.O.CON Vienna moved into the Gründerzeit building at Wipplingerstraße 12 fifteen years ago, we were a team of five. Today, more than 40 employees work at this location. And the space has not been dramatically enlarged. The application of an Activity Based Working concept may mean that individual workstation space is reduced in size, but that individual employees actually benefit from a gain in space and, more importantly, a gain in quality, because they now have a wider range of places at which to perform their duties.

Andreas Leuchtenmüller: The objective is not to design a space so that it represents the most economical, splendid or trendy solution. The space needs to be designed and "staged" in such a way that it reflects corporate strategy – and enables employees, clients and the public to experience the organization's brand on a daily basis. Historically speaking, the traditional office forms – cell offices, group offices and combination offices – are typically represent the successive phases of building development. Each of them introduced a new phase, but none of these forms has ever been totally replaced, and they all continue to play an influential role in the design of new buildings today. The trend clear-

ly favors open-space concepts that allow for the realization of different ideas about organization in order to respond as flexibly as possible to specific requirements. Such organizational concepts as non-territorial offices and desk-sharing have enjoyed only limited success.

The level of acceptance by employees is often very low, as employees are forced to give up their personal workstations and frequently get nothing in return. Employees need to have the sense of a win-win situation – and should never see themselves as the losers in the bargain. It makes good sense to do away with personal workstations, but only for those who need multiple work environments because they spend less time at the workplace and must respond to changing requirements. And organizations must understand that simple restructuring is not enough. For in addition to buildings, work-supporting services must also be flexibly designed and planned during the process of developing a functional, holistic concept. This is not limited to aspects of building security, omnipresent IT or cleaning concepts. In the future, many organizations will be intent upon attracting the best people and ensuring their loyalty. The keywords in this context are "Generation Y" and "Age Pyramid. The best people are not interested in working in an industrial park devoid of heart and soul, however, regardless of how innovative the building or how famous the architect is. They would much rather be in Munich-Schwabing or some other "in location." And there are not just 25 of these people, but rather 425. And they all come from the surrounding region – by car! But where is there enough parking, and how can these people avoid wasting time driving in concentric circles around the building looking for parking spots every morning? The organization buys expensive mountain

Cool workstations instead of large offices

bikes. It doesn't matter how much they cost, they're still cheaper and cooler than parking spots. And that gives rise to new tasks for the relevant departments: procurement, service, accommodation, the organization of allocation and insurance benefits. And that also includes everything else that enables employees to focus on achieving optimum performance: dry-cleaning services, children's day care centers, coffee shops, sports, concierge services, valet parking, connections to the Windows network for portable Macs and access to all smart applications. Employees demand a lot because a lot is expected of them. That is the only way to create a system that promotes top performance.

Miguel de Almeida: What does your experience tell you? Is the organization the driving force behind the restructuring process, or does management use the space issue to drive the organization ahead? Which is the chicken, and which is the egg?

Andreas Leuchtenmüller: Well, my basic premise is that we cannot shouldn't land contracts with firms that are not serious about realizing the concept of "the use of space in organization and culture." And it has been my experience that such decisions are usually made and passed down from the top.

In terms of process, I prefer that individuals and organizations are always a step ahead in both a personal and a cultural sense, and that we can then catch up quickly when it comes to space. In cases in which the space is created first and used to give impetus to the process of decentralizing the organization, stubbornness and reactionary tendencies within the organization often lead to failure. I have often observed that organizations are unable to generate the necessary momentum in these cases. And then such processes come to a standstill. Here's a very simple example: unwanted glass walls are simply covered over, and doors are moved. We call such measures "life hacks." They are always a sign that an organization and its spatial structures are out of sync.

Andreas Leuchtenmüller: One effect of agile organizations on management personnel is that they are compelled to redefine themselves – no longer through larger spaces and corner offices but instead through their personal authority. Being is the new Having. Skills are the new status symbols. And that often leads to schism when middle management is unable to keep up. As building and space-development consultants, we are able in such a case to adapt a building in such a way that we can adjust to the degree of maturity and the status





Andreas Leuchtenmüller studied Social Sciences and Economics and play a key role in the development of the M.O.O.CON consulting firm. He is now the managing shareholder of M.O.O.CON Deutschland and a recognized expert in the fields of strategy, building development and planning, and profitable corporate real-estate management. He has authored a number of articles on such topics as working environments, changing media organization, corporate facility, corporate and object strategies and sustainability.



Sabine Zinke is a trained organizational psychologist with a strong affinity for architecture. Her many years of experience in personnel and organizational development provides a sound foundation for her current consulting work at M.O.O.CON. She is an expert in organizational planning and change management and is concerned with such topics as Activity Based Working and transition to new worlds of work.

quo of a given organization. In many cases, however, the available space is totally unsuitable and generates high costs – regardless of whether it is too small or too large.

The worst thing that can happen is that the organizations expose themselves to the suspicion of dishonesty or insincerity. People are identified as the focal point under the heading “Our Values” at the corporate website, and yet these very people witness how they are either marginalized or neglected by the infrastructure. They don’t feel respected or appreciated when they are forced to spend five minutes walking to a centrally located printer or along a dark hallway to a toilet lined with tiles from the 1970s. We’ve experienced all of those things – even at firms with “big names”. The absence of authenticity is counterproductive and may even be fatal, and employees notice it immediately! And I want to avoid that through our input. To prevent it, we as responsible consultants have no option but to work closely with personnel and organizational development departments and develop a thoughtfully considered and coherent concept.

Miguel de Almeida: How do employees ordinarily react to such, well, “revolutions” in their workplaces?

Andreas Leuchtenmüller: We involve them as a matter of principles in our processes – in different yet highly structure ways. We consistently pur-

sue a participative approach. Without the involvement of users – and of this we are firmly convinced – there can be no good building and no good project outcomes. The process is always a sense of tension, and that is where we recognize the degree of maturity of an organization and the extent to which managers are willing to assume responsibility. Out development projects are not concerned with short-term issues, but rather – in view of the magnitude of the investments in question – with those with medium- or long-term horizons. We notice exactly where problems start to arise in early phases of a project. And we then consult with personnel and organizational development departments to develop solutions that offer the best possible support for managers who are responsible for implementing change.

Sabine Zinke: We occasionally experience extreme situations. At the moment I’m consulting on a project in the public sector, an organization with a dominant command-and-control culture. Management is actually carried out there via directives and decrees. And then the manager responsible for the restructuring process comes along and claims that the organization issues no guidelines, as these are expected to come from the employees themselves. And of course nothing at all comes from the employees. How could it? Things were totally different up till then.

So the outcome is usually the "smallest common denominator" – and not the best or even an excellent solution. Resistance – or a sense of helplessness – is simply too strong. It is often no use hoping for self-initiated, incremental change. Professional change management is needed in these cases. The situation is quite different in a developed organization that has attained the degree of maturity of an agile organization. We have many projects in progress in organizations that are operating in the blue or orange range on the Spiral Dynamics scale (see Topic Booklet 3). The active involvement of employees usually produces good results in these cases.

Miguel de Almeida: We've mentioned the maturity of organizations several times already, and you just spoke of Spiral Dynamics. Is there a correlation between an organization's maturity and its willingness to accept new office forms?

Sabine Zinke: We have invested a great deal of development work in this matter and have now begun with the first implementation processes. Yes, there is a correlation. We adapted the Spiral Dynamics concept and now begin with stocktaking, i.e. identification of the status quo. Participants in the process determine where they stand as an organization and as individuals. All levels are represented – from orange to blue to green. That is an excellent tool with which to get a sense of the real situation in an organization: "This is where we stand, and that is where we want to go. How big a step can we now make at once, and for which phase or stage of development do we wish to develop our office concept or plan our building?" Let's consider open structures and the sharing principle (open space, desk sharing). That is certainly possible in

"green" organizations, but surely not in "blue" ones.

We exchange ideas, such as "How strong is the reliance on a hierarchical structure? Does it have to mirror the existing hierarchy in a spatial sense? Do managers sit in single or open-space offices?" And "Where do I have single offices at all and where not?" On the basis of these considerations and the definition of the status quo, it is possible to show the client where he stands, where things should lead and what steps the organization can take to shape its own organization and culture.

Andreas Leuchtenmüller: It's always important to recognize where a maturity model ends and where other factors play a role in success from the perspective of a holistic view of an organization and its objectives. I may be very close to the top in terms of maturity but still need my own wooden desk with my own flower vase to perform my duties. It's the human factor, and we must ever forget it.

Miguel de Almeida: Thank you for this very interesting discussion!



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