

Self-managing Organisations: Teality Check

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Wouldn't it be great if our companies could just get rid of bureaucracy, and everybody could just focus on results?

Lots of people have been asking that question in the past few years: The idea of self-management has gotten a boost from methods such as Holacracy, with additional buzz coming from the idea of the “teal organisation”. But a look at how the methods play out in practice suggests that leaders would do well to proceed with caution, picking and choosing the elements of self-management that work best for their company.

What is a Teal organisation?

The idea of the teal organisation was set out by Frederic Laloux in his book *Reinventing Organizations: A Guide for Creating Organizations Inspired by the Next Stage of Human Consciousness*. Laloux's fundamental idea is that as societies and technologies have progressed, companies and other collective human enterprises have moved from hierarchical structures to those where their members have more autonomy.

As Laloux tells it, after beginning with the “red” organisations that emerged 10,000 years ago – chiefdoms based on the personal power of the leader – humanity then progressed to “amber” organisations with formal roles, bureaucracies and strict chains of command (such as the military or the Roman Catholic Church). These were followed at the time of the Industrial Revolution by “orange” organisations such as multinational companies, and most recently by “green” ones – hierarchies where the leaders choose to delegate power, such as Southwest Airlines and Ben & Jerry's. (To be honest, Laloux's argument might be easier to follow if he didn't bypass yellow and move straight from orange to green.)

Today, Laloux says, the next type of human organisation is emerging in response to technological and societal change: the teal organisation, in which everyone is empowered by design, rather than having power handed down to them from above, and everyone is accountable to their peers, rather than to bosses who are placed above them in the hierarchy. As the founder of Morning Star, the world's largest tomato processor and a leading proponent of self-management, [put it](#): Everyone in the company is a manager, because everyone is responsible for getting the job done.

Holacracy – a self-management practice for Teal organisations

What's more, self-management enthusiasts have developed [several formal structures](#) in their attempt to implement that seemingly impossible ideal in practice. Morning Star uses one known as a Web of Individual Contracting, in which employees agree with each other on goals, duties and accountability. But perhaps the best-known self-management structure is [Holacracy](#), which organises the company into a system of interconnecting circles, each with responsibility for a different area. At least 500 organisations are using this structure.

The best-known example of a Holacracy, and the largest company to adopt the practice, is online shoe retailer Zappos. Still, CEO Tony Hsieh stresses that while many outsiders assume self-management means chaos, “[there definitely is a hierarchy](#).” Circles are embedded in other circles; while each team has its own responsibilities and there may not be a chain of command based on individuals, circles are accountable to other circles. Hsieh is known for enthusiastically promoting Holacracy, particularly praising the adaptability it confers on organisations that embrace it.

Is Teal and self-management a good fit for every company?

Nevertheless, there are organisations that have tried self-management and found that it's not for them. One example is the NGO Africa and Middle East Refugee Assistance. While the teal model helped the group accomplish its basic task of helping refugees, AMERA ended up facing financial difficulty when it failed to document the work it was doing and communicate that to donors; it [ended up merging](#) with another Cairo-based NGO.

Of course, a true self-management enthusiast would argue that the group's problem was simply that it didn't adapt and evolve, organically developing a new fundraising function once people within the organisation realised it was needed. But some organisations have found that self-management actually increases bureaucracy (even though it's not the top-down kind). Consider the experience of the online publishing platform Medium, which recently abandoned the structure: “Holacracy was getting in the way of work,” operations head Andy Doyle [wrote in a blog post](#).

“Our experience was that it was difficult to coordinate efforts at scale,” Doyle wrote. “In the purest expression of Holacracy, every team has a goal and works autonomously to deliver the best path to serve that goal. But for larger initiatives, which require coordination across functions, it can be time-consuming and divisive to gain alignment.”

While Laloux is certainly correct that the development of societies and advances in technologies over the millennia have made self-management possible, it seems that we humans are not yet able to overcome the instinct to develop bureaucracies.

So how should managers respond to pressure to make their organisations more teal? A group of Harvard Business Review authors [concluded](#) that rather than trying to implement a self-management programme wholesale, the goal should be to find the right balance: “As we've learned from self-managing teams, blanket arguments for or against broadly applying the principles of self-management miss an important point: Most organisations, particularly large corporations, should adopt these techniques in part, not in whole.” They cite Procter & Gamble, 3M and Google as examples of companies that are experimenting with piecemeal adoption of self-management techniques.

Teal organisations and self-management – the takeaway

Managers certainly can't ignore the sweeping changes in how humans interact that have been driven by information and communications technologies, and by democratization. Unfortunately, for many companies, adopting an off-the-shelf self-management solution isn't feasible. Managers need to examine what's available, without being afraid to experiment. Organisations won't become pure teal overnight – if they ever do – but with a judicious use of self-management techniques, leaders can make subtle adjustments to find the exact shade that's right for their companies.