emergence

DESIGNING ORGANIZATIONAL AGILITY

For far too long Agilists have shied away from Org Design. We espouse the value of cross-functional teams, but have been careful not to scare anyone with talk of "reorg" or "restructure". We say, "You can work in teams but you don't need to change your org structure," perpetuating the much-hated matrix organization.

I've seen Agile Transformations fail over and over because of the Organizational Design; structure, process and operating model. Why are we so afraid to change it? And if we weren't afraid, how do we go about redesigning organizations?

Back in 2018, I was curious about what Org Design really was, so I googled it and found a group called "ODF: Organizational Design Forum". When I started attending their meetings and conferences, I found that they knew some things about Org Design that the Agile Community wasn't talking about. They had experience, process, models and fresh approaches for designing an organization that upended my understanding of what constituted effective Org Design.

When I shared this knowledge with the Agile community, I faced resistance. "That's old school," they said. "We need new ways of thinking." And when I shared Agile approaches with the Org Design community, I heard, "These Agile people are taking all the credit for stuff we've been trying to do for years!"

And so, it became my mission to bring these two groups together. I thought of it like chocolate and peanut butter! I joined the board of the ODF. I spun up a few joint community calls. And here's my next incarnation of the joint community; an issue of the Emergence Journal themed around Designing for Organizational Agility. We'll bring together the discipline of Organizational Design with the aspirations of Business Agility, forging new ground in this combined space.

I've arranged the issue to take you through a continuum: beginning from the basics, continuing into new ways of thinking about org design, and finally exploring cutting edge ideas. Notice the cutting edge stuff comes last so if you're going to skip around, don't miss those at the end!

Stu Winby, an OG in the Org Design world, kicks us off with a crash course in what Org Design actually is (which frankly, I didn't know at first!) He sets us on our path by painting the landscape of where Org Design has been and where it's going.

Empowerment is not enough without Agency. **Pete Behrens** and **Daniel Gagnon** explain the difference between the two, and help us step into designing organizations for Agency.

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Speaking of patterns, **Pim de Morree** shares some patterns for Radically Decentralizing your Company. As an aspiring rebel myself, I was excited to have Pim contribute, as I've been following his edgy ideas at the Corporate Rebels for years.

Not only do we need to design *for* Agility, we also need to design *with* Agility. **Andrew Chandler** and **Christian Wandeler** share their experiences in using Participative practices in Org Design.

I'm a huge fan of the Podcast "Brave New Work", and I was thrilled to get introduced to co-host **Rodney Evans**, who agreed to be a contributor. She uses a beautiful sailing metaphor to share her thoughts on the future of strategic planning.

Traditionally, org design was anchored around strategy. How do we design organizations when strategy is adaptive? **Dean Meyer** helps us answer this question.

Many organizations are designed with the assumption of in-person work. **Bret Nelson** explores how we need to shift our thinking about designing organizations as we move into a hybrid workplace.

We all know that technology has rocked our worlds and our work. **Rob Sinclair** shakes us up even further by asking how technology affects the way we organize ourselves.

When I saw **Steve Garcia** speak at the Org Design Conference last year, I wanted to bottle him and take him home. But because that's weird, I settled for asking him to contribute to this issue. He has a compelling way of making the invisible characteristics of adaptability visible by taking an x-ray of the organization using ONA (Organization Network Analysis).

Like most of the contributors, **Sarah Sonnenfeld** is someone I called and asked "What are you thinking about that's relevant in this space?" Her answer was, "The fluid workforce". Sarah describes how we can design organizations to advance along the seven dimensions of work fluidity.

After watching the Netflix docuseries "Dirty Money", I got curious about how I might be playing a role in designing organizations that are ripe for misconduct. I called my friend **Rob Sinclair** and asked him to write an article with me. He said yes, and together we took a hard look in the mirror at how we might be contributing to the problem.

I put the edgiest article last, to cap off the issue. **Lisa Woken** will blow your mind with DAOs (Decentralized Autonomous Organizations). She reveals how blockchain technology can enable adaptive governance by shifting humans to the edge with technology at the center.

I'm so excited to bring together this incredible collection of thought leaders from both communities. I had a blast pulling this group together because it gave me a chance to talk with brilliant people and really get deep with their ideas. I wish this could be my whole job! I hope you enjoy reading as much as I enjoyed compiling this issue.

Jardena London

Guest Editor

Orgs Behaving Badly

Jardena London & Rob Sinclair

It seems like every week we hear an exposé of corporate misconduct. It's trusted companies like VW falsifying emissions, Wells Fargo opening fake accounts, or DuPont hiding information on the toxicity of Teflon.

It feels too easy to blame these companies and the people in them. Instead, we took a long hard look in the mirror and asked ourselves, are we designing organizations that create conditions ripe for misconduct?

Based on what we see in the news, you might think that corporate misconduct is a rare event that happens every few years. But alarmingly, research shows that most firms average two instances of substantial misconduct each week[1].

When we look at companies that have suffered some scandal, often there's no single person to point the finger at, but rather a system that encourages bad behavior. For example, Wells Fargo set quotas for new accounts that exceeded the entire territory's population within 30 days[2]. The pressure to meet an unattainable goal forced employees to go into survival mode and meet the quota any way they could, even if it was unethical.

When I step back and look at that example, I think about my own work, and all the companies I've encouraged to set ambitious goals. I encourage people to "work differently, not harder!" But not everyone can come up with a smarter, different way to do things. What happens when people can't find a way to 'work smarter'? Do they resort to misconduct? Did I unintentionally tempt people to cheat the system? To my knowledge, I didn't. But who knows? Maybe someone I taught passed it on to someone else, and the message got muddled like a game of telephone, ending up with someone feeling undue pressure.

There's a lot of great work being done to detect and punish misconduct after the fact. It's necessary and important because someone will almost always try to cheat the system. We're asking a question further upstream, before misconduct even happens. Our inquiry asks, "what conditions exist that invite or even encourage misconduct in the first place?"

According to two similar surveys, 36-60% of managers surveyed said they would engage in misconduct and misreporting[3]. That is a really high percentage! What is driving such willingness to act unethically?

Historically, companies handle misconduct through policy and punishment. "Our policy is that you don't do _____ ; otherwise, you're fired." But policies have loopholes.

Misconduct is often blamed on an individual, sidestepping the need for systemic evaluation. "Our policy says not to do _____; this person didn't follow the policy." Even though the action was individual, it's important to investigate why an individual would choose to violate ethics and policy. Why would a person risk their job, reputation, and possibly jail time?

When you look at misconduct cases, often individuals were in a double bind; damned if you do, damned if you don't. Violating a policy could get them fired, but if they follow the policy, they will lose their job because of low performance. We've seen this even in lower-stakes situations; someone in a Fortune 10 company told me, "in order to be a good project manager, you have to know how to go around the process." It makes me wonder why there is a process at all!

The organization's design, perhaps unintentionally, can put people in a situation where they must violate policy and ethics to succeed.

If we look to nature, through the lens of living systems, an organism and its environment are interconnected and constantly adapting to each other. But the environment any given organism is in can dramatically change its behavior. For example, how would you describe the differences in behavior between a green grasshopper and a swarm of locusts? One you might describe as harmless, gentle, peaceful, even beautiful. The other you could easily call crazed and destructive, relentless, destroying everything in its path. Recent discoveries in epigenetics offer a fascinating lesson here. A gentle green grasshopper and a crazed locust have 100% the same genome. They are identical at the genetic level. What makes the difference? The conditions of their environment. Yes, something as simple as perceived environmental pressure (eg. scarcity of resources) can turn that harmless little friend into a wild force of destruction. Same animal, different conditions, different behavior.

This offers a new paradigm on the relationship between a person's behavior and the conditions in which they are being asked to operate. A responsible, compassionate inquiry into the system dynamics that might be at play when we see corporate misconduct happening (especially at the frequencies described above), factors in the conditions in the environment around these behaviors, and the relationship to the people involved. What tensions or competing priorities have we abdicated to the individual that actually exist in the system? What conditions have we created in their environment that might be forcing them into that misconduct? We have, after all, created these conditions.

"A bad system will beat a good person every time." – W. Edwards Demming.

An example of the kinds of conditions that might promote misconduct is pitting goals against values, but only rewarding the goals. When an organization sets aggressive targets—say for financial performance—and then sets policies for integrity and conduct, there is a tension between financial targets (goals) and integrity policy (values). When the organization only truly rewards the people who hit targets, they are creating the conditions for potential misconduct. Simon Sinek articulates this point well in saying "[organizational] cultures that place excessive focus on quarterly or annual financial performance can put intense pressure on people to cut corners, bend rules and make other questionable decisions in order to hit the targets set for them."

Unfortunately, those who behaved dubiously but hit their targets are rewarded, which sends a clear message about the organization's priorities."[4] Even though the organization may speak about integrity, and even have policies about it, the rewards of compensation, advancement, and social status are all linked to performance. This is an example of taking a tension that actually exists in the system (the company's responsibility for fiscal performance and operational integrity) and abdicating it to the individual

with a one-dimensional reward system without policies about conduct. If we are going to see real change happen, we have to acknowledge the role the organization is playing in creating these conditions, and not just blame the individuals.

Following this same logic, we can't simply blame organizations and their leadership and governance structures in isolation. After all, an organization is really another organism in a broader environment—the competitive marketplace of our economy. So what might be happening in this larger sphere that may incite or even encourage misconduct? What pressures exist that might cause an organization to behave in these ways, setting up behavior traps for employees on behalf of the all mighty quarterly statement? We don't have to look far to see just how much pressure our system puts on organizations to maximize the return on capital, with so many public companies so closely evaluated on their quarterly performance reports alone.

Looking a little deeper, we realize today's environment is not the same as it was 10, 20, or 50 years ago. These are not necessarily poorly designed organizations; they were well designed for different outcomes than what we need today. For example, some organizations were designed in a predictable, repeatable, slower-moving environment optimized for efficiency, control and profit. The design was perhaps well-adapted to the time, putting growth first. However, the traditional organizational design has shown to be ill-equipped for the complex demands of today's faster-changing, less-predictable, highly-interconnected world. And so might be our scoresheets.

When we only truly evaluate and reward based on one of multiple important priorities, it comes as no surprise when people and organizations take short cuts.

The contradiction between governance and performance design is illustrated in Volkswagen's emissions scandal. VW professed to value the environment, working to lower emissions. But when forced to choose between lower emissions and sales, they systematically—and repeatedly—chose sales.

Looking through the living systems lens, each organization is an "organism" in another "environment." Organizations are not creating these conditions in isolation but rather are responding to conditions in which they find themselves. Today's economic systems are often designed only to reward economic growth via a strong quarterly financial statement. In that case, it is natural to assume that organizations will find ways to maximize that growth, often above all else.

We see the impact of the emphasis on growth in the Wells Fargo example mentioned earlier, where the push for growth overshadowed employee well-being and ethics. Employees reported feeling squeezed to meet their quota, and begging family members and friends to come open new accounts.

The hard truth is that many of us unknowingly play a role in creating conditions for misconduct. By acknowledging the role of organizational design in creating these conditions, we can then find ways to design for integrity. We might start by aligning incentives with aspirational values to create more congruent behaviors.

In summary, how we design organizations can profoundly impact the likelihood of misconduct. First, ensure that your design is optimized for the organization's direction. Next, design reward systems congruent with governance systems. And lastly, ensure that organizational design aligns with the external ecosystem that the business lives in.

Most importantly, stop attributing individual behavior to the individual, and start looking for conditions designed into the organizational system. ℮

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Jardena London

is on a mission to create thriving work places that also feed our souls. She is a Business Transformation Consultant, author, and keynote speaker with 27 years of consultancy experience, serving as founder and CEO of RosettaAgile. Jardena has spent the last 13 years focusing on Business Agility, sparking bold, disruptive thinking with corporate clients. She's the author of the recent book Cultivating Transformations: A Leader's Guide to Connecting the Soulful and the Practical.

Rob Sinclair

is the co-founder and managing partner of Thrive Leadership Group, a boutique leadership development and consulting firm with presence in Toronto, Vancouver, and San Francisco. Rob spends his days as a leadership consultant, executive coach, and systemic team coach, working with leaders and teams from all over the globe in several contexts ranging from incubator programs, seed-stage startups and ivy-league MBA programs to executive development at Salesforce, Honda, Ernst and Young, GSK, Conservation International, Roche Pharmaceuticals, Microsoft, and more. Rob and the team at Thrive Leadership Group are committed to supporting the evolution of more conscious leadership, so that leaders can navigate their changing worlds with greater effectiveness, creating healthy, thriving organizations that truly serve their stakeholders.
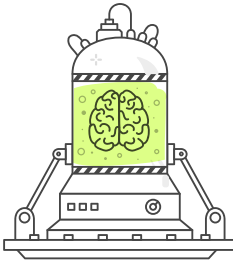
Food for Thought
Jardena London

When I first spoke to the folks at the Business Agility Institute about this issue, I said it sounded like going on a road trip, through the countryside, over a mountain, navigating city streets and hitting the NJ turnpike. As a native NY and current NJ driver I do enjoy shifting gears and changing lanes. Fun fact: "The Jersey Slide" is when we merge onto the highway and glide immediately left across three or four lanes. I hope you found this issue like a road trip: a little white knuckling, and sometimes a little queasy, but ultimately we all had fun singing along with the radio.

Like any road trip, there are a few sights along the way that you'll miss because time is tight or the roads are closed.

It's worthwhile to explore how we design organizations for DEI (Diversity, Equity and Inclusion). It's so important to take a systemic view of DEI, and Org Designers have the unique capability to shape the future. We couldn't explore that topic in this issue, so I recommend you do some research of your own!

We also skipped our tour stop for discussing how we can design organizations as Living Systems. Living systems are adaptive and machines are not, so it makes sense to model our organizations as living systems.

One other stop we missed was exploring what we can learn from Social Movements. Think about it! Social movements don't have someone auditing protest signs. Like a living system, they have a shared purpose and a few simple rules. Why aren't companies organized more like Social Movements?

And finally, we missed the stop where we boldly step into how we design for organizations that have a labor union. This is a topic that seems to scare and anger people. We can't shy away from it! Instead, we need to design for it.

Stay tuned for future articles on designing for DEI, labor unions, and designing like Living Systems and Social Movements in the Business Agility Institute library.

This road trip ends here. But fill up your tank, charge your battery, replenish your MetroCard or just get new sneakers because the journey isn't over. We haven't quite figured out how to organize and mobilize large groups of people, so we'll keep experimenting and learning.

I hope to see you at the next rest stop!
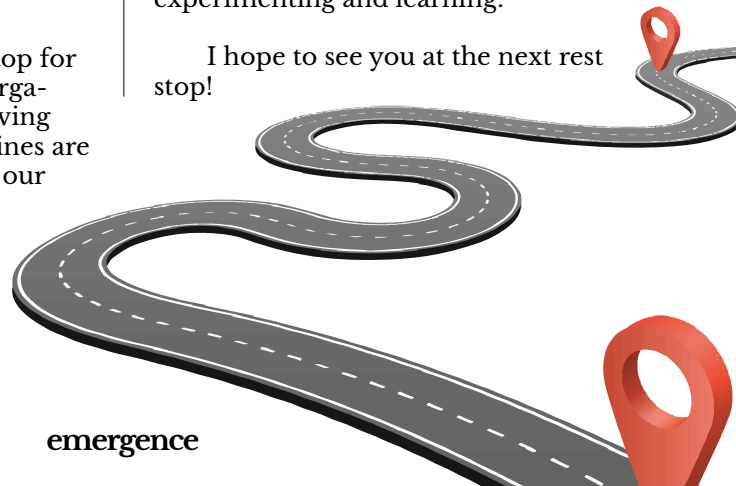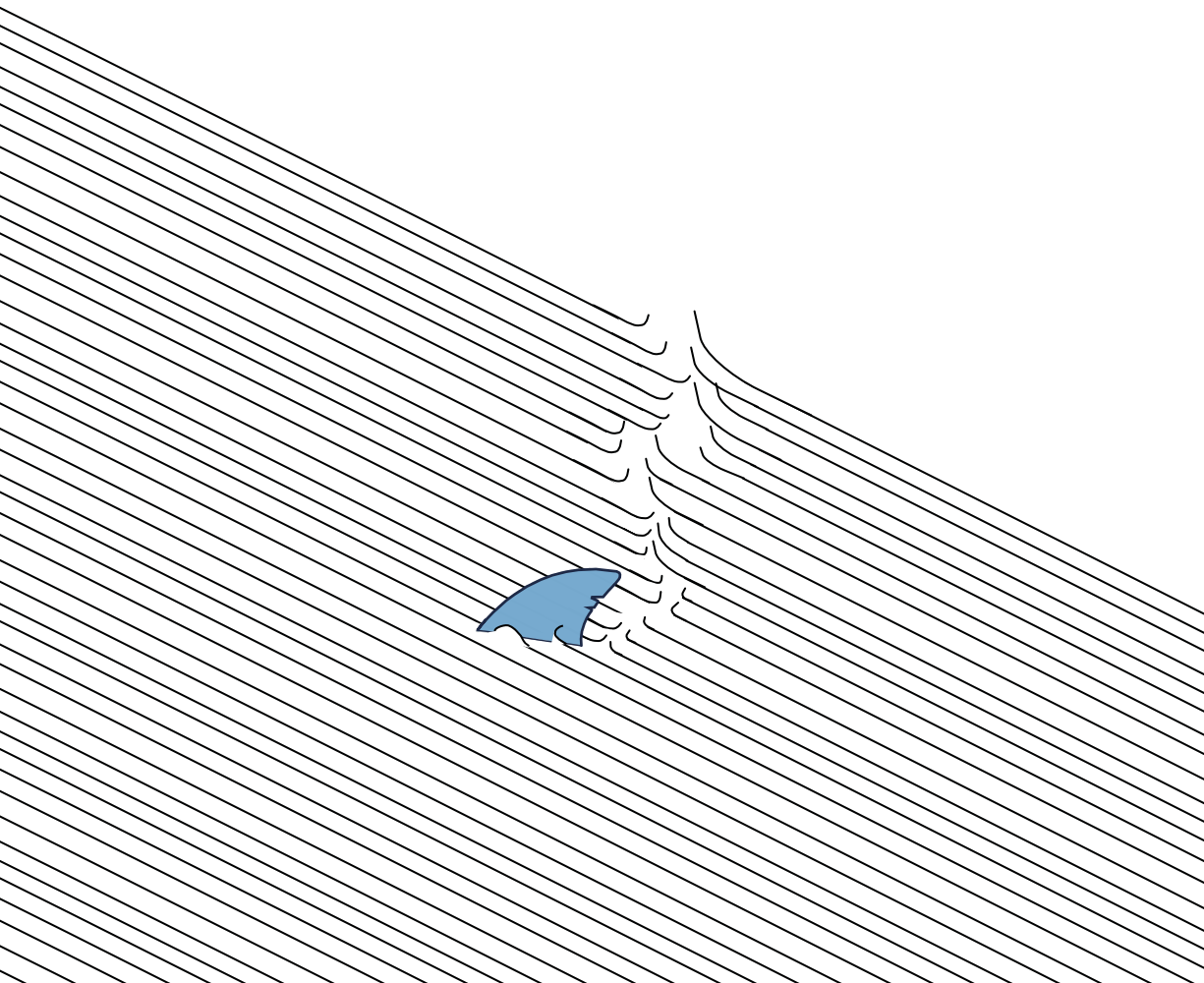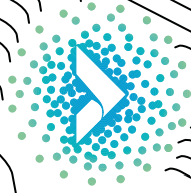
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