

## A Future More Powerful than Hierarchy

By Frederic Laloux



Every now and again, humanity makes a leap in its thinking. 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 democracy, 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hierarchies – layers of hierarchy – to run organizations will soon come to feel slightly ludicrous, a remnant of some outdated past.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 discard a great idea? You had a boss that, for good or bad reasons, could make decisions about 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're wondering, 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?

When I share the insights from this research, I've noticed that most leaders have two reactions at once.

On the one hand, some of them wish this were true. Perhaps this is your reaction too. We have all experienced how our pyramidal organizations based on hierarchy channel 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 with 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 outdated, 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 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. It has served us well over the last one 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 and more resilient.

### We are surrounded by systems more powerful than hierarchy.

We don't need to look 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. This is 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! 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, we still unquestionably accept that that is the best way to run an organization.)

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.

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 of this complexity works beautifully, and within the cell there is no boss trying to control what happens.

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 microorganisms to massive trees that are all interdependent. Say the winter comes earlier than expected. The entire ecosystem will adapt in coordinated fashion. There is no tree that claims to be the leader of the whole ecosystem that will say: “*You all wait! All of us 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 bosses – 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 410,000 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 – regardless of 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 a way to push aside 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 them. 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?

In summary, 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 there. 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 turf and their careers. They don't need to motivate subordinates any more. There are no more endless meetings to attend 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 that 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 trying to fight the system, in aligning stakeholders 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 they might have, I imagine they might ask one or all of these: 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.

### About the Author



Frederic Laloux is a man of many projects that he tries to square, not always easily, with the inner knowledge that he is meant to live a simple life, spending much time

with his family and, whenever possible, in the silent presence of trees. Among other things, Frederic advises leaders of organizations who feel called to fundamentally explore new ways of managing organizations. His research in the field of emerging organizational models, published in his book *Reinventing Organizations*, has been described as "groundbreaking," "spectacular," "world-changing," and "a leap in management thinking" by some of the most respected scholars in the field of human development and management. A former associate partner with McKinsey & Company, Laloux holds an MBA from INSEAD, and a degree in coaching from Newfield Network in Boulder, Colorado. He has traveled widely and speaks five languages fluently. He can be reached at [frederic@reinventingorganizations.com](mailto:frederic@reinventingorganizations.com).