

By Frederic Laloux, 2016

## Key messages

- Several studies show that the level of people's engagement in their work is rather low worldwide. This blocks entrepreneurship and innovation.
- Laloux's book argues that we have to reinvent organizations. Most modern companies are based on the paradigm that an organization functions like a machine in which different parts can be changed, tuned and controlled. We call these orange companies. These types of organizations work very well in a predictable environment where the standardization of processes and large scale production is key.
- However, the complexity of the world and the speed at which things change make this paradigm difficult to attain.
- We need organizations that are more agile and innovative and are able to adapt to the changing demands of markets. The answer is found in a new paradigm that considers organizations to be living organisms with different parts that have a chemistry of their own and which are not all centrally controlled but find different ways to coordinate with each other to adapt quickly to a changing environment. This type of organization is called a teal organization. In essence, teal organizations are self-directed or self-managed. People and teams are given a high level of responsibility to fulfill their tasks and to achieve this they make their own budgets, they decide on investments, they hire their own people, make their own development plans and make their own decisions, etc. The coordination of these semi-autonomous organizations is organic, and is sometimes supported by coaches. On occasion, final decisions are made by the CEO.
- Different examples are given of companies that work in this way and are incredibly successful, e.g. Zappos, Morning Star, AES, W. L. Gore, Sun Hydraulics, the General Electric jet engine plant in Durham, North Carolina, etc.
- How do new paradigms evolve? The theory behind the evolution of new paradigms is that just like children who grow into adults by progressively achieving a higher level of consciousness (gaining new insights) so do organizations. Illustrated in the table below are the different evolutionary breakthroughs in human collaboration (each one leading to a new level of consciousness and a new paradigm for how to build and run organizations).

	Explanation	Current Examples	Key breakthroughs	Guiding metaphor
<b>RED Organizations</b>	Constant exercise of power by chief to keep troops in line. Fear is the glue of the organization. Highly reactive, short term focus. Thrives in chaotic environment	<ul style="list-style-type: none"> <li>•(some) Startups</li> <li>•Mafia</li> <li>•Street Gangs</li> <li>•Terror Organizations</li> </ul>	<ul style="list-style-type: none"> <li>•Division of Labour</li> <li>•Command authority</li> </ul>	
<b>AMBER organizations</b>	Highly formal roles within a hierarchical pyramid. Top down command and control (what and how). Stability valued above all through rigorous processes. Future is repetition of the past.	<ul style="list-style-type: none"> <li>•Catholic Church</li> <li>•Military</li> <li>•Governmental Organizations</li> <li>•Public School System</li> </ul>	<ul style="list-style-type: none"> <li>•Formal roles (stable and scalable hierarchy)</li> <li>•Processes (long term perspectives)</li> </ul>	
<b>ORANGE organizations</b>	Goal is to beat the competition; achieve profit and growth. Innovation is the key to staying ahead. Management by objectives (command and control on what; freedom on the how)	<ul style="list-style-type: none"> <li>•Multinational companies</li> <li>•Charter Schools</li> </ul>	<ul style="list-style-type: none"> <li>•Innovation</li> <li>•Accountability</li> <li>•Meritocracy</li> </ul>	
<b>GREEN organizations</b>	Within the class pyramid structure, focus on culture and empowerment to achieve extraordinary employee motivation	<ul style="list-style-type: none"> <li>•Culture Driven Organizations (NGO's, Southwest Airlines, Ben &amp; Jerrys, Semco)</li> </ul>	<ul style="list-style-type: none"> <li>•Empowerment</li> <li>•Values-driven culture</li> <li>•Stakeholder model</li> </ul>	
<b>TEAL organizations</b>	No one is the boss of anyone else. Hierarchy is not powerful enough to face complexity, e.g. global economy, human muscle brain (cells). If you take your purpose seriously there is no competitor by definition	<ul style="list-style-type: none"> <li>•Network Organizations (Burtzoorg, ESBZ, Zappos, Semco, A.W. Gore, Automattic)</li> </ul>	<ul style="list-style-type: none"> <li>•Self Management</li> <li>•Wholeness</li> <li>•evolutionary Purpose</li> </ul>	

Read more: A 5,000-word summary by Frederic Laloux:  
<http://www.strategy-business.com/article/00344>

A pdf presentation made by a consultant:  
<http://www.slideshare.net/miriamgilbert08/future-of-work-selfmgt>

Watch: A short movie about Holacracy (which is similar to teal organizations):  
[https://www.youtube.com/watch?v=0FmKsDf\\_Cnl](https://www.youtube.com/watch?v=0FmKsDf_Cnl)