

Recreating Organisations:

Aligning organisations to emerging human and organisational stages using the Integral Framework

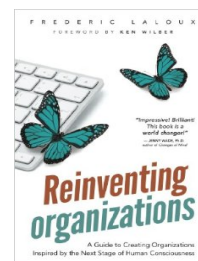
by Ron Cacioppe, Ph.D. and Michael Fox, Integral

This article presents key insights and examples from the ground-breaking book by Frederic Laloux, *Reinventing Organizations* and adds further aspects from Integral Theory to complement his focus on levels of development. It uses these ideas to present a way of recreating organisations so that they operate in a manner that fits with the needs of our times. Integral Theory describes how the functioning and structure of organisations evolves over time to match the level of development of human consciousness.

As they evolve organisations go through stages that are radically different, becoming more productive, collaborative and reaching higher levels of functioning. Each stage “transcends and includes” the ones that came before. Therefore, a later stage does not lose the behaviours that came from earlier stages but earlier stages cannot access the insights of later stages. We are currently moving into a stage which will have radically different characteristics than many organisations currently demonstrate.

According to Laloux and other authors, a whole new shift in consciousness is currently underway that will result in a radically more purposeful and spiritual way to run our businesses, non-profits, schools and hospitals.

An Integral framework provides a way organisations can grow and adapt to work in complex environments. "Reinventing Organizations" describes in practical detail how organisations, large and small, can operate in a new paradigm. Leaders, founders, coaches, and consultants will find this framework a positive handbook full of insights, examples and inspiring stories.



History and Development of Organisations and Consciousness

Laloux traces this development from 100,000 BC to the present, observing a gradual but accelerating evolution from simple ‘family kinships’ to ever more collaborative and powerful forms of organisations. He shows how at this moment we are at another historical junction. A new organisational model is emerging, a radical new way to structure and run organisations. We call this an Integral or ‘Visionary Yellow’ (VY) model (adapted from Laloux’s term, Evolutionary Teal).

The use of different colours to represent different stages comes from Don Beck’s Spiral Dynamics model that describes the value levels that each organisation, team or leader operates at. The VY model’s development can be seen as a growing awareness that the ultimate goal in life is to become the best expression of ourselves and to be of service to humanity and our world and to see life as a personal and collective journey of this unfolding.

The way we currently manage organisations seems increasingly out of date and unable to cope with the complexity and challenge of modern times. The idea that most organisations should operate for shareholder profit or be led by political or not-for-profit leaders who act out of short-term self-interest, indicates that our current organisational models aren’t sufficient. Deep inside we sense that more is possible and we long for workplaces which nurture human development, authenticity, community, passion, and purpose.

Laloux challenges the status quo and asks, “*Can we create organisations free of the pathologies that show up all too often in the workplace? Free of politics, bureaucracy, and infighting; free of stress and burnout; free of resignation, resentment and apathy; free of posturing at the top and the drudgery at the bottom? Is it possible to reinvent organisations, to devise a new model that makes work productive, fulfilling and meaningful? Can we create soulful workplaces – schools, hospitals, businesses and non-profits – where our talent can bloom and our callings can be honoured?*”

We need something more: enlightened leaders and enlightened organisational structures and practices. This book demonstrates that this is possible and already exists in a few organisations.

History of the Stages of Human Evolution and Organisational Structures

Laloux makes the case that human consciousness evolved in stages, which he classified by colour, each colour representing a stage of development that gave rise to an organisational culture “fit” for the epoch in which it arose. Each stage of development or colour, correlates with a particular time in

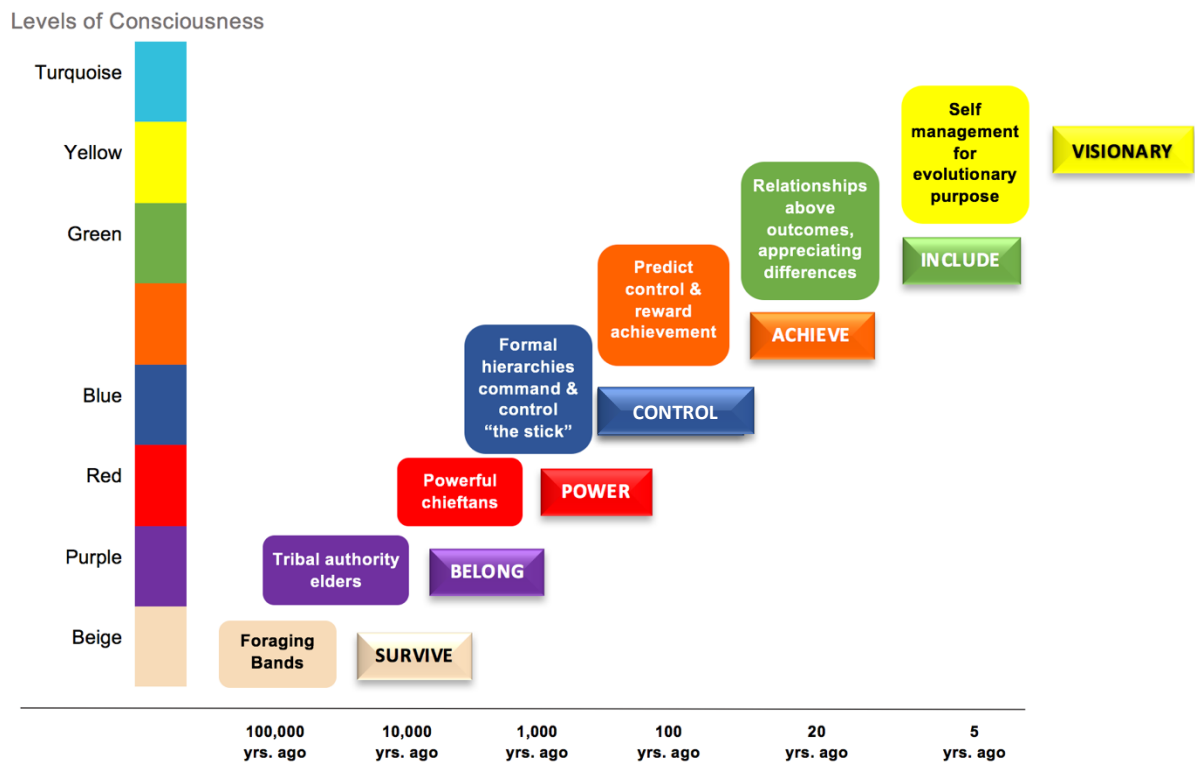
human history and each “stage of development” represents a certain “cognitive, psychological and moral” orientation.

Laloux’s descriptions of the stages of historical human and organisation development are based on Integral Theory developed by Ken Wilber. A closely aligned and complementary theory called Spiral Dynamics originated by Professor Clare W Graves and further developed by Don Beck and Chris Cowan is also part of the ground out of which Laloux’s ideas emerged.

The diagram below outlines the stages and the key characteristics that humans have undergone in tribes and organisations in the last 100,000 years.

The spectrum looks like this:

Diagram 1: Overview of the Main Stages of Organisational Development



Humans first lived in family kinships. Next, tribes were formed, and life was controlled by magical rituals. Then the first chiefdoms were formed, ruled by power and suppression. The main stages relevant to organisational understanding are those that arose in the last 5,000 years: Blue, Orange, Green and Yellow.

Controlling – Blue

After the early stages, the first organisational structures originated. In the *Blue-Conformist* view, authority is linked to a role (like a police officer). There is one accepted right way of to do things, controlling is necessary. Some organisations, like many government institutions and schools, still see the world through ‘blue’ glasses. Thinking and doing are strictly separated: the thinking happens at the top of the organisation, the doing at the bottom. The underlying belief is that employees tend to be lazy and dishonest, and should be kept in line. Their clothes reflect their rank, they wear a social mask.

Achieving – Orange

The next organisational stage is *Achievement-Orange*. Here the focus shifts from controlling to achieving: the keywords are ‘winning’ and ‘competition’! This is the model of most organisations today. The view on human behaviour is that people need to be given stretch goals and rewarded tangibility when they are achieved. An organisation is seen as a rational, goal achieving system, of which the output (profit) can and should be steadily increased. And when the cogs (the people) get stuck, a rational solution will solve each problem. While there is much talk about customer service, profit is more important than serving the customers.

The amount of freedom at this level increases and makes use of the professional knowledge and problem-solving power in the organisation. This is done by management by objectives and by fixing

the cause of problems. While workers are given more autonomy, managers still keep the right to formulate the strategy. However, anyone can climb the organisational ladder and be a 'winner'.

The rise of *Achievement-Orange* organisations brought prosperity to those who achieve. However, disadvantages surfaced, like the pollution of the earth and problems in the financial sector.

Pluralistic – Green

Achievement-Orange organisations often become disconnected from their purpose and make employees feel empty and soulless. The first resistance against this occurred during the 1960s, the flower-power period. Culture-driven organisations like Ben & Jerry's provided the answers. They operated from a socially responsible *Pluralistic-Green* cooperative companies with servant leaders. This was the era of equal opportunity and employee rights that still operates today.

This level tries to include all perspectives and all interests. Cooperation and collaboration are its key terms. No one can be left out and everyone's interest should be included in any solution.

Visionary - Yellow

Achievement-Orange and Pluralistic-Green gave the workers much more freedom than Controlling-Blue. However, they still are not as free, agile and energetic as birds in flight. If you want that, a transition to a complete new organisational stage is needed, Visionary-Yellow. Indeed, the rise of organisations that have at least a number of yellow or blue-green characteristics can be seen. Companies strive for more freedom, more meaning, more joy and more self-management at work, and want to operate with less harm to the natural environment.

Laloux points out that these organisational forms did not die out with the end of each epoch but that they survive today in various organisations that operate from a "paradigm" such as Red (e.g. the Mafia) or Blue (e.g. the Catholic Church). Each stage of consciousness can be thought of as one that was "fit" for its particular time and context. As the context changes, fitness means that "successful" evolution requires a shift from one stage to a different later stage more "fit" for the changed environment.

Laloux explains that we "get into trouble when we believe later stages are "better" than earlier stages; a more helpful interpretation is that they are "more complex" ways of dealing with the world.

Defining Characteristics of Yellow Organisations

Laloux identifies three breakthroughs that characterise the organisations that are pioneers of the new Yellow model of workplaces. He sees these as bold departures from current management practice:

Self-management – replace the constraints of traditional hierarchical control systems with flexible collaborative, self-organising systems. This does not mean taking the hierarchy out of an organisation and running everything democratically based on consensus. Self-management, like the previous pyramidal models, works with an interlocking set of structures and practices to support new ways of sharing information, making decisions and resolving conflict. To make self-management possible, teams are trained and coached to be effective solvers of problems and decision-makers.

Wholeness – where people are encouraged to bring emotional, intuitive and spiritual parts of themselves to work and drop the 'social masks' that are irrelevant and unnecessary. These new organisations create workplaces that support people's desire to be fully themselves and build wholeness and nourishing relations.

Evolutionary purpose – collaborating with their people to unfold a future grounded in a shared purpose, leaders in these companies assume that their organisations have 'a life and sense of direction of their own'; So rather than trying to pursue a predicted future through strategies, plans and budgets, they engage the whole organisational community to 'listening in to their organisation's deep creative potential...and understanding...the purpose it intends to serve'. This purpose evolves and emerges through its people and its service rather than being defined from above.

The Culture of Yellow Integral Organisations

Laloux lists the cultural characteristics of these pioneer Yellow organisations. The following sample list describes an ideal enlightened organisation and would deeply challenge many conventional organisational cultures:

- People relate to one another with an assumption of positive intent.
- Until proven wrong, trusting co-workers is the default means of engagement.

- Everyone is able to handle difficult and sensitive news.
- Everyone has a responsibility for the organisation. If someone senses that something needs to happen, he or she has a duty to address it.
- Everyone is of fundamental equal worth.
- Strive to create emotionally and spiritually safe environments.
- Failure is always a possibility if we strive boldly for our purpose.
- Don't blame problems on others.
- Trying to predict and control the future is futile.
- In the long run, there are no trade-offs between purpose and profits.

Yellow Organisations operate as a living organism or living system. They are a self-organising system of cells, without a central command system.

The Role of the Leader and Owners

Laloux argues that there are two conditions which are the only make-or-break factors. No other factors are critical to running organisations for the Visionary-Yellow paradigm.

1. The CEO must drive the change. The founder or top leader must have attained and be able to act in a manner consistent with the characteristics of the Yellow developmental stage.
2. The owners and Board must believe in the change and support the CEO. The owners of the organisation must understand and endorse the thinking and behaving arising out of the changes that have to be made.

Organisations can never become developed, self-managing and evolutionary organisations unless they meet these two conditions. Laloux describes how an organisation goes back to Orange when the Board is not aligned with an evolutionary CEO. So the key role of a CEO is in holding the space so that teams can self-manage. It means keeping others, like investors, from messing things up which is difficult in a short-term, market-driven economy. Laloux suggests carefully selecting investors or doing without them by financing the growth of the organisation through cash reserves and bank loans, even if it means slower growth.

In most traditional organisations, it is the role of the leader to determine the vision and the strategy and then determine executive plans to get there. That way of thinking makes sense if you believe organisations are static, inanimate objects or machines. As Yellow Organisations become more decentralised, the 'top' leader exerts less and less formal authority in developing strategy and managing its people and operations. However, simultaneously they play a vital, centralised role in 'holding the space' to ensure its progressive, decentralised practices do not regress back to a more traditional organisational model. Further, the CEO in all the progressive organisations were visionary leaders and played a key role in setting the vision at the highest level. They held the vision for the whole organisation even though the strategy and operational decisions were made by others.

The Rise of Mindfulness and Leaving Egos at the Door

There is much interest today in mindfulness practices in organisations. Many writers and commentators refer to this expansion of global consciousness as the 'rise of mindfulness'. Even Wall Street banks are starting to offer their overworked bankers courses in mindfulness. Mindfulness is used as a way to help people deal with pressure, stress and unhealthy corporate cultures. It is interesting to note that the new Integral organisations weave mindfulness deeply into the fabric of the organisations. It is no longer an add-on. The organisations researched by Laloux spent considerable time talking about mindfulness.

Closely aligned to mindfulness is incorporating practices that help keep self-interest and egos at bay. At Buurtzorg staff and clients use hand symbols whenever he or she feels that someone is speaking from their ego. If someone is trying to win an argument for the sake of winning an argument, serving themselves and their career, or group, someone chimes two bells. The rule is while the bell rings everyone is supposed to be silent for a minute and ask themselves who they are trying to serve. Am I serving me? Or am I here in service of something greater? All team organisations have similar meeting practices because meetings tend to be these places where egos tend to come out. Meetings without egos are only possible when people have been trained in active listening and non-violent communication.

A public school in Berlin is entirely self-managing and is very good in helping kids truly be themselves. Everyone in the school, staff and kids, gathers every Friday afternoon, for 45 minutes and they start by singing. Then they have a practice of open microphone, and the rule is you walk up to the microphone to thank someone or make a compliment. People tell mini-stories and what they are revealing is things about themselves. Adolescents thank their classmates for helping them in all sorts

of things. The kids are daring to be authentic and vulnerable in front of 500 people. This school has no violence problems and kids are passionate to learn because they are accepted for how they are with no masks.

Case Studies - Integral Yellow Organisations

Frederic Laloux not only thinks that Yellow organisations are possible, he describes 12 organisations that rely to a large extent on self-management. Examples are the Dutch neighbourhood nursing organisation 'Buurtzorg', the French brass foundry FAVI and the American tomato-processing company Morning Star.

Case #1 – Buurtzorg: Since the 19th century, every neighbourhood in the Netherlands had a neighbourhood nurse who would make home visits to care for the sick and the elderly. In the 1990s, the health insurance system came up with a logical idea: why not group the neighbourhood nurses into organisations which would lead to obvious economies of scale and skill. Organisations that grouped the nurses started merging themselves, in pursuit of ever greater scale. Tasks were specialised: some people would take care of intake of new patients and determine how nurses would best serve them; planners were hired to provide nurses with a daily schedule, optimising the route from patient to patient; call centre employees started taking patients' calls and regional managers were appointed as bosses to supervise the nurses in the field. To drive up efficiency, time norms were established for each type of procedure. To keep track of this, a sticker with a barcode was placed on the door of every patient's home and nurses scanned in the barcode, along with the "product" they delivered, after every visit. All activities were time-stamped in a central system, and could be monitored and analysed from afar.

The overall outcome proved distressing to patients and nurses alike. Patients lost the personal relationships they had with their nurse. Every day a new unknown face entered their home, and the patients – often elderly, sometimes confused – had to repeat their medical history to an unknown, hurried nurse who didn't have any time allotted for listening. Consequently, subtle but important cues about how a patient's health was evolving were overlooked. The system became a machine, losing track of patients as human beings and instead seeing them as subjects to which products were applied.

Founded in 2006, Buurtzorg is causing a revolution in neighbourhood nursing. It has grown from 10 to 8,000 nurses in eight years, gaining 60% of the market share in the Netherlands while achieving extremely high patient satisfaction rates and health outcomes at 40% of the cost. At Buurtzorg nurses work in self-managed teams of 10, with each team serving a well-defined neighbourhood. They do the planning, scheduling, administration, decide which doctors and pharmacies to reach out to, monitor their own performance and decide on corrective action if productivity drops. Whenever possible, a patient always sees the same nurse. Nurses take the time to get to know the patients and their history and preferences. Care is no longer reduced to a shot or a bandage – patients can be seen and honoured in their wholeness, with attention paid not only to their physical needs, but also their emotional, relational and spiritual ones. The result is that patients are thrilled by how Buurtzorg's nurses serve them, and so are their families who often express deep gratitude for the important role nurses come to play in the life of the sick or elderly.

By changing the model of care, Buurtzorg has accomplished a 40% reduction in hours of care per patient, which is even more impressive when you consider that nurses in Buurtzorg take time for coffee and talk with the patients, their families, and neighbours, while other nursing organisations have time "products" in minutes. Patients stay in care only half as long, heal faster, and become more autonomous. A third of emergency hospital admissions are avoided, and when a patient does need to be admitted to the hospital, the average stay is shorter. Satisfaction rates are increased for both patients and nurses. And the financial return on relationships is considerable. Ernst & Young estimates that close to €2 billion would be saved in the Netherlands every year if all home care organisations achieved Buurtzorg's results.

Case #2 – FAVI: A French brass foundry holding a 50% market share for its gearbox forks, initially had a more traditional pyramid structure – people at the top made the decisions, workers at the bottom performed assigned tasks. Then a new CEO took the helm, and within two years the organisation was reshaped. Today the factory has over 500 employees organised in 21 teams called "mini-factories" of 15 to 35 people. Most of the teams are dedicated to a specific customer (the Volkswagen team, the Audi team, the Volvo team, etc.). Each team self-organises; there is no middle management, and the staff functions have nearly all disappeared. FAVI consistently delivers high profit margins despite Chinese competition, pays salaries well above average and hasn't had a single order delivered late in over 25 years.

There are no more departments – instead the roles are divided and performed within each team. Every week in a short meeting the account manager for the Audi team shares with the team the order that the carmaker placed. Planning happens on the spot in the meeting, and the team jointly agrees on the shipment date. Decisions occur through team discussions. Account managers don't report to heads of sales, they report to their own teams. No one gives them sales targets, their motivation is to serve their clients well and to maintain or increase the number of jobs the factory can provide. Of course, coordination is often needed across teams. A group composed of one designated person from each team comes together for a few minutes – they discuss which teams are over or understaffed; back in their teams they ask for volunteers to switch teams for a shift or two. Things happen organically on a voluntary basis; nobody is being allocated to a team by a higher authority.

Case #3 – Morning Star: As the world's largest tomato processing company, Morning Star produces over 40% of the tomato paste and diced tomatoes consumed in the US, working with 400 employees in the low season and 2,400 employees in the summer. There are 23 self-managed teams, no management positions, no HR department, and no purchasing department. Employees can make all business decisions, including buying expensive equipment on company funds, provided they have sought advice from the colleagues that will be affected or have expertise. Instead of a rigid organisational chart, each of the 23 teams resembles Morning Star is a collection of naturally dynamic hierarchies – there isn't one formal hierarchy, there are many informal ones.

On any issue some colleagues at Morning Star will have a bigger say than others will, depending on their expertise and willingness to help. One accumulates authority by demonstrating expertise, helping peers, and adding value. So really, these organisations are anything but "flat," a word often used for organisations with little or no hierarchy. On the contrary, they are alive and moving in all directions, allowing anyone to reach out for opportunities. Information flows more freely through the organisation, decisions are made at the point of origin, and innovations can spring up from all quarters. How high an employee reaches depends on their talents, their interests, their character, and the support they inspire from colleagues; it is no longer artificially constrained by the organisation chart.

Roles and commitments are agreed upon between colleagues, and outlined in a document called a Colleague Letter of Understanding – for each role colleagues specify what it does, what authority they believe it carries (including any decision-rights), what indicators will help evaluate performance, and what improvements they hope to make on those indicators. This type of structure is appropriate for longer and more continuous processes. The key is what Morning Star calls "total responsibility" – all colleagues have the obligation to do something about an issue they sense, even when it falls outside of the scope of their roles. Often this means going to talk about the issue with the colleague whose role relates to the topic.

Four Quadrants

An important dimension of Integral Theory that Laloux doesn't include in his discussion is that organisations can be viewed through lenses of Four Quadrants. These quadrants occur as a result of the polarities that divide reality into external/internal and individual/collective.

The following diagram shows the four areas of reality that are expressed through the pronouns I, We, It and Its.

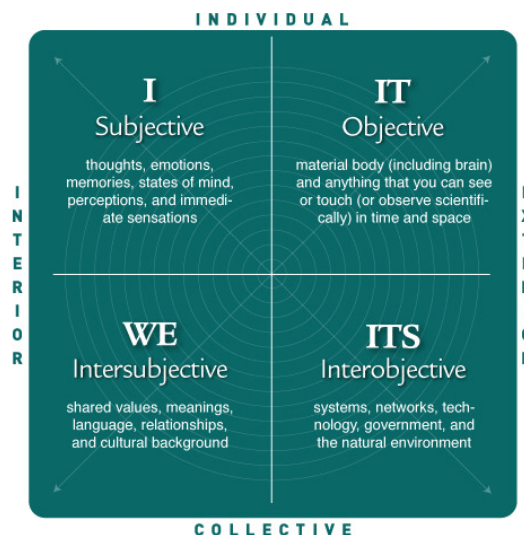


Diagram 2: The Integral 4 Quadrants of Reality

Our experience in one quadrant has a correlate in each of the other quadrants. For example, today we are becoming very aware of the global climate system (ITS) and the way in which increasing levels of carbon dioxide and methane are causing global warming. We can measure the levels of CO₂ and the temperature of the air and sea (IT). The results of such measurements may cause us to experience concern and anxiety about the changes that are happening to our earth (I). When we come together to share our concern we can develop shared values (WE) about the need to care for our earth and to protect our biodiversity. Wilber has promoted an approach that respects the truth in each of these quadrants. He urges us not to just focus on the exterior, or one quadrant over all the others, but to find ways of appreciate the insights and wisdom that emerge from each of these quadrants and to integrate them into our actions to change and develop organisations.

Ron Cacioppe has adapted and applied Integral Theory to organisations to describe four quadrants of 1.) People Wellbeing and their Mindsets (I) and 2.) the Culture and Meaning they experience when share together (We). The upper right It experience can be seen in 3.) Efficiency, where individuals work in ways that are economical with regard to time and effort. The behaviour, skills and resources are also in the upper right. The external collective quadrant (ITS) focuses on the 4.) Effectiveness of the organisation and its systems for delivering the purpose that the organisation is attempting to fulfil. By integrating practices that cater for all four quadrants, Cacioppe believes that organisations have a much greater chance of developing holistically and recreating themselves, because in so doing they engage the whole person and team who comes to work: head, heart, hands and spirit.

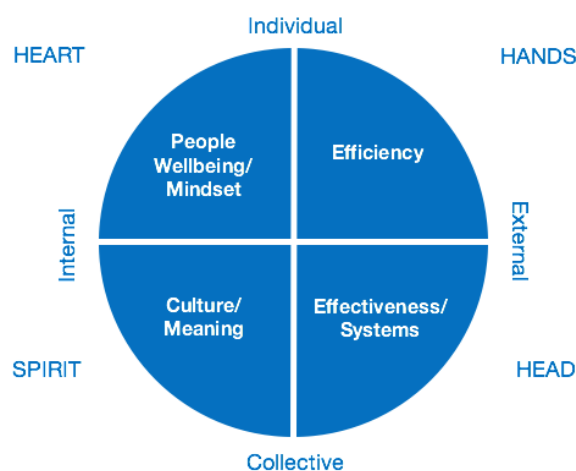


Diagram 3: The Integral 4 Quadrants of Organisations

Practical Relevance

Integral theory has been around for 20 years and many consider it the best idea of the 21st century to bring together discoveries in psychology, sociology, science and philosophy. Integral Theory, however, hasn't been well translated into practical actions and seen in everyday activities, especially in leadership and the workplace. Laloux has shown how Integral theory translates into a framework, practices and a process of development of organisations. By describing organisations that exist with Yellow characteristics he provides tangible examples which all managers can appreciate.

This Yellow model of organisations is suitable when work can be broken down in ways that teams have a high degree of autonomy. In practice, there are teams who need autonomy and will be able to govern themselves (e.g. pharmaceutical, software, consulting, marketing, etc.). The Yellow Integral model is a hierarchy of purpose, complexity and scope, but not of people or power. The team at the top pursues the overall purpose of the company, while sub-teams pursue aims for parts of the overall purpose (such as research or marketing).

The evolution to becoming a self-managed Yellow Organisation doesn't happen all at once. The ideas covered in the book are possibilities that a manager can experiment with depending on the goals she is seeking. There may be opportunities for an organisation to develop a better way for employees at all levels to provide ideas and take initiative using the decision-making process. Implementing improved conflict resolution practices so that tensions are dealt with and solutions are developed between the parties involved can save senior managers time and lead to better solutions. Adopting practices to bring more wholeness into the workplace could improve employee satisfaction and make teams more effective. The important thing is to decide what works best for your organisation.

Summary

An Integral framework of all quadrants and all levels is essential understanding for anyone interested in how their organisations might evolve and thrive in an increasingly volatile, ambiguous and complex world. It provides a new model whereby people can recreate organisations so that they become places of joint purpose and endeavour that, at the same time, provide opportunities for people to take initiative, contribute and grow.

Leaders and coaches who influence organisations need to pay attention to their own levels of development. It is not possible for manager, consultant, coach or mentor at an earlier stage of development to lead another person, team or organisation to a higher level. Many consultants and coaches may consider themselves to be in a high stage of development but it only may be that their intelligent ego has learned to display the signs and skills of an 'enlightened' person rather than a genuinely operating in the level of yellow or above. These leaders, consultants and coaches will need to find ways to accept genuine feedback to determine whether they have arrived at a sufficiently advanced stage themselves to contribute to integral development.

Finding examples how 'Integral' organisations can thrive while swimming against the tide of instrumentalist and shareholder-value-driven bureaucracy is an important step. They provide substantial detail on the structures, practices and processes the organisations adopt to encourage human development and sustainability. Employees are encouraged to find their own roles and play to their strengths. Decisions are taken by peer groups rather than by leaders, or often by individuals acting simply on advice from relevant colleagues, with the consequence that corporate headquarters are largely redundant. Employees are trusted rather than controlled to do the right thing, so that cumbersome compliance practices are no longer needed.

Since the financial crisis, public distrust has been growing not just in the leaders of the financial organisations that led us into the financial crash of 2007-8 but also as a result of the failures of leadership in sectors as diverse as the health service, the media, supermarkets, the police and government. Wilber, Beck, Laloux, Torbert and Kegan sees the forces for change being driven not only by the collapse of the existing order but by a fundamental evolutionary shift in human development towards the higher stages of consciousness described in their developmental theories. Combining an understand of the Integral stages of development and the four quadrants of an organisation will assist many organisations to recreate themselves into workplaces where people enjoy coming to work and feel that they are making a truly worthwhile contribution to our society and our world.

Questions

1. What are your thoughts about this Integral 'All quadrants, All levels' approach? What is different about it? What are its advantages and limitations?
2. What are the quadrants that are emphasised in your organization? What are the positives and limitations of that? And what are the levels/stages that are operating within your organizational leaders – what do you see that confirms that?
3. How can you use Integral theory and practice in bringing about change, development or improvement?

You can download Re-inventing Organizations on the website shown below:

www.reinventingorganizations.com for free or you pay what you feel is right

(which is very Integral thinking)!