FREDERIC LALOUX

FOREWORD BY **KEN WILBER**

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This book is a
world changer!"

— **JENNY WADE, Ph.D.**
author of *Changes of Mind*

Reinventing organizations

A Guide to Creating Organizations
Inspired by the Next Stage of Human Consciousness

Decision-making in times of crisis

Can the advice process be upheld in times of crisis, when swift and even harsh decisions might be needed—say, to lay off staff in a downturn or to sell parts of a business? Can we genuinely consult with a group of coworkers about laying them off? Perhaps an extreme situation calls for extreme measures; perhaps self-management needs to be suspended temporarily for the CEO to make a few necessary, top-down decisions. But then, how can workers maintain trust in their organization's self-management, if every now and again the CEO can decide to step in and make autocratic decisions? FAVI, Buurtzorg, and AES have all faced crisis moments. The graceful ways they found to deal with such situations can provide inspiration for other self-managing organizations facing a crisis.

No one would call Jean-François Zobrist, a bear of a man and former paratrooper, a softie. But when he was faced with difficult and critical decisions at FAVI, he readily admitted he needed help to find a good answer. More than once, on impulse, he went around the shop floor, asked everybody to stop the machines, climbed on a soapbox and shared his problem with all the employees, trying to figure out a course of action. The first major crisis under his leadership happened in 1990 when car orders plummeted in the wake of the First Gulf War. Stocks were piling up, and there simply wasn't enough work to keep workers busy. Capacity and costs needed to be reduced. There was one obvious solution: fire the temp workers. But at FAVI, no one was really considered a temp worker. For reasons related to labor laws in France, new recruits were hired as temp workers for 18 months before they were offered a full contract. Most of them were already considered full members of their teams. By firing the temps, FAVI would rescind its moral commitment to them, and it would lose talent it had invested in, with a recovery perhaps only a few months away. With many questions and no clear answers, Zobrist found himself on the soapbox and shared his dilemma with all employees in that shift (including the temp workers whose fate was being discussed). People in the audience shouted questions and proposals. One worker said, "This month, why don't we all work only three weeks and get three weeks' pay, and we keep the temp workers? If we need to, we will do the same thing next month as well." Heads nodded, and the proposal was put to a vote. To Zobrist's surprise, there was unanimous agreement. Workers just agreed to a temporary 25 percent salary cut. In less than an hour, the problem was solved and machine noise reverberated around the factory again.

Most leaders I know would consider Zobrist's approach extremely risky. Sharing their dilemma openly with everybody would make them feel so vulnerable that this course of action probably wouldn't even cross their mind. Indeed, no one could have predicted with certainty how employees would react to the news that their jobs were on the line. The gathering could have descended into chaos, with fear of layoffs pitting people against each other in heated exchanges. Zobrist had no preconceived idea, no script, for how to lead the discussion once he had shared the company's problem. He chose to trust—trust himself, trust employees, and trust the process.

I finally figured out that not every crisis can be managed. As much as we want to keep ourselves safe, we can't protect ourselves from everything. If we want to embrace life, we also have to embrace chaos.

Susan Elizabeth Phillips

Obviously, the safer option would have been to ask the head of human resources (HR) to discreetly work out a number of scenarios, confidentially convene the management team to discuss them, and hide the problem from the workers until a decision was ready to be announced. (In the case of FAVI, of course, Zobrist didn't have an HR director nor an executive team at hand, but he could have convened a few trusted advisors.) This method is the tried-and-true way leaders have learned to handle sensitive issues in organizations. Whether they realize it or not, this approach is driven by a leader's fear: fear that employees might not be able to handle difficult news; fear that the leader's legitimacy might be questioned if he doesn't call the shots; and fear that he might look like a fool if he discusses a problem before he has fully figured out a solution. Zobrist's ability to keep his fear in check paved the way for a radically more productive and empowering approach and showed that it is possible to confront employees with a harsh problem and let them self-organize their way out of it. In the right framework, it seems that the advice process can be upheld even in crisis situations, and a leader should think twice before reverting to top-down decision-making.

Buurtzorg faced a crisis in 2010 and mastered it using the advice process too. The young company was growing at breakneck speed when Jos de Blok heard that health insurance companies had threatened to withhold €4 million in payments to Buurtzorg, citing technical reasons (the more likely reason: the insurance companies wanted to signal to Buurtzorg that it was growing too fast at the expense of established providers). A cash crunch loomed. Jos de Blok wrote an internal blog post to the nurses exposing the problem. He put forward two solutions: either Buurtzorg could temporarily stop growing (new teams cost money at first) or nurses could commit to increasing productivity (increasing client work within the contract hours). In the blog comments, nurses overwhelmingly chose to work harder because they didn't like the alternative: slower growth would have meant saying no to clients and nurses wanting to join Buurtzorg. In a matter of a day or two, a solution to the cash problem was found (and after some time, the insurance companies eventually disbursed the withheld funds).

AES gives an example of how to suspend the advice process—as gracefully as possible—in times of crisis. In fall of 2001, after the terrorist attacks and the collapse of Enron, AES's stock price plummeted. The company needed access to capital markets to serve its high debt levels but found them suddenly closed. Swift and drastic action was needed to prevent bankruptcy. A critical question was: how many and which power plants would need to be sold off to raise the necessary cash? With 40,000 people spread around the world, Dennis Bakke, the CEO, could hardly convene everybody and stand on a soapbox like Zobrist at FAVI. And the problem was so complex that he couldn't simply send out a blog post with two alternatives, like Jos de Blok did at Buurtzorg.

Bakke chose a course of action that temporarily suspended the advice process in a way that nevertheless minimized the risk of undermining trust in self-management. He didn't work out a plan behind closed doors with his management team; instead, he publicly announced that top-down decision-making would be made during a limited time for a limited number of decisions, albeit critical ones. The advice process would remain in force for all other decisions. To investigate the best course of action and make the tough calls, Bakke appointed Bill Luraschi, a young and brilliant general counsel. Luraschi wasn't regarded as one of the most senior leaders nor as someone who would seek a leading role in the future. The signal was clear: the senior leaders of the organization were not looking to exert more power. Top-down decision-making would be handled by someone with no thirst for power, and it really would be temporary.

If the advice process needs to be suspended in times of crisis, these two guidelines can serve to maintain trust in self-management: give full transparency about the scope and timeframe of top-down decision-making, and appoint someone to make those decisions who will not be suspected of continuing to exert such powers when the crisis is over.

Dismissals and layoffs

Wisdom traditions say that there is no such thing as failure; there are only invitations to learn and grow. To realize (or to be told) that we aren't cut out for a particular job is life's way of saying, "You've just been given a gift (albeit one that doesn't come gift-wrapped, and that can feel painful at first)." Inquire into what happened for insights into what you're *not* meant to do, what you're *not* meant to be. Look deeper still, and you might find a new road opening up and leading you where your talents are calling you. Colleagues can do much to support a person in that phase (see page 126 for more about peer-based dismissal processes). Even a dismissal can be an opportunity to extend love and compassion. Held in that way, it becomes much easier for a person to explore why a job might not have fit his talents or calling, and where and how to look for work he is called to do.

Beyond individuals being asked to leave a company, there is the question of collective layoffs for economic reasons. I believe we need to make a distinction between *temporary* and *structural* overstaffing. I find it interesting that not a single organization in this research has laid people off during times of downturn. Self-managing organizations are exceedingly flexible and accumulate little overhead; therefore, they weather downturns much better than traditional organizations. FAVI and Sun Hydraulics, for example, have both withstood severe recessions with revenue decreases of 30 to 50 percent without layoffs. In some cases, colleagues agreed to share the pain and take temporary pay cuts (chapter 2.3 tells one such story regarding FAVI; see page 103). From a Teal perspective, it would be improper to lay off colleagues when the overstaffing is only temporary, just to bolster profits for a few months.

The case is different when the overstaffing is structural. AES has faced this case dozens of times: the power plants it bought in Eastern Europe, Asia, Latin America, and Africa were frequently tremendously overstaffed. In many cases, governments that previously owned them used these facilities to create artificial jobs. After making the acquisition, AES swiftly reduced the number of employees. This can sound surprising: how can a progressive company, like AES was at the time, lay off hundreds of people? Here is Dennis Bakke's perspective on the matter:

> *The right size of a workforce is equal to the number of people needed to make the workplace fun. Having too many employees demoralizes colleagues and causes turf battles. A very astute AES plant manager in Northern Ireland told me that arguments over turf are good indicators that the facility has too many people. No one worries about who does what when there is enough work to go around.*
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> *My belief that business should not carry unneeded employees does not mean that they should be given pink slips and hustled out the door. Departing employees need time to make the transitions to new work. Organizations should be generous with severance arrangements. We encountered overstaffing almost every time we made an acquisition. One of the first things we did after acquiring a business was to set up a generous and voluntary severance program. Only rarely were individuals asked to leave.*
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> *In Panama, AES created a loan fund for employees who took the severance package. A year later, I traveled to a celebration lunch with former employees who had left the company. Seventy-one new businesses had been started by these former employees, most of whom tapped the AES loan fund. Even with generous voluntary severance arrangements, the changeover from a company you know to one you don't can be traumatic. I strongly believe that these difficult transitions are a necessary evil that forces employees and organizations to adjust to a dynamic world. Part of the joy of work is learning new roles and taking on new responsibilities. Job security is attractive gift wrapping, but seldom is there anything of lasting value inside.*[11]

Maintaining jobs artificially makes no sense from an Evolutionary-Teal perspective. We value job security, but ultimately it is a notion inspired by fear. It neglects the fundamental truth that everything changes; it dismisses the possibility of abundance—that a person whose talents are wasted in an overstaffed organization will find a better way to express his gifts where they are needed.

Life is continuously unfolding; dismissals and even layoffs can be part of that unfolding, although they are comparatively rare in self-managed structures. Organizations in this research show us that we don't need to reduce dismissals to cold, contractual transactions. We can welcome the emotions and the pain. And when they have abated, we can start inquiring into the deeper meaning, the message that life wants us to hear, the new road we might be called to travel on.