

Designing the Bossless Organization

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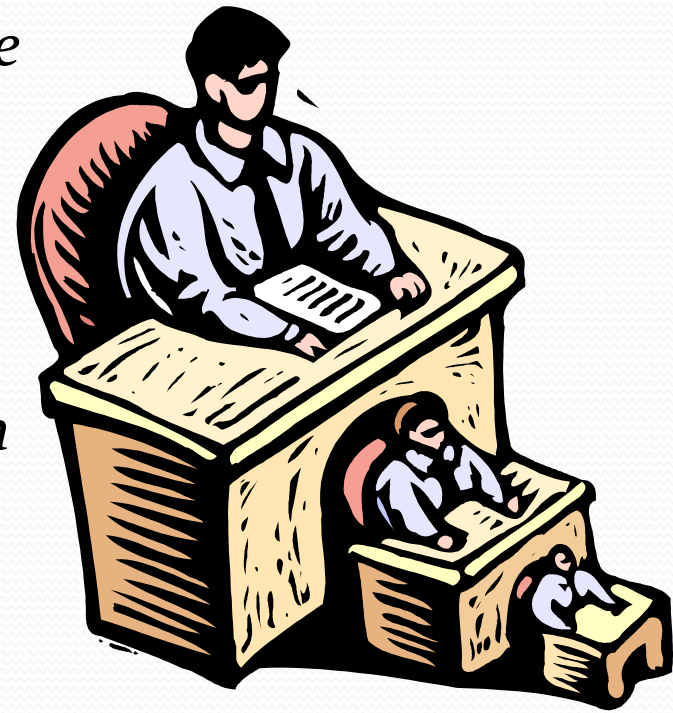
“Almost the only class of complex system in the universe that is not purely self-organizing is the modern business corporation and other hierarchical organizations modeled on it.”

- Richard Koch, “The Natural Laws of Business”



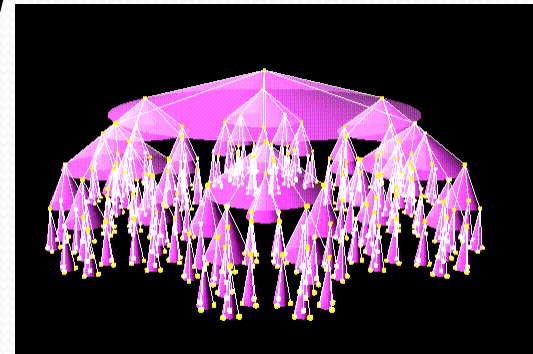
“The recent failure rate of chief executives in big American companies points in the same direction. A large proportion of CEOs of such companies appointed in the past ten years were fired as failures within a year or two. But each of these people had been picked for his proven competence, and each had been highly successful in his previous jobs. This suggests that the jobs they took on had become undoable. The American record suggests not human failure but systems failure. Top management in big organizations needs a new concept.”

- Peter Drucker



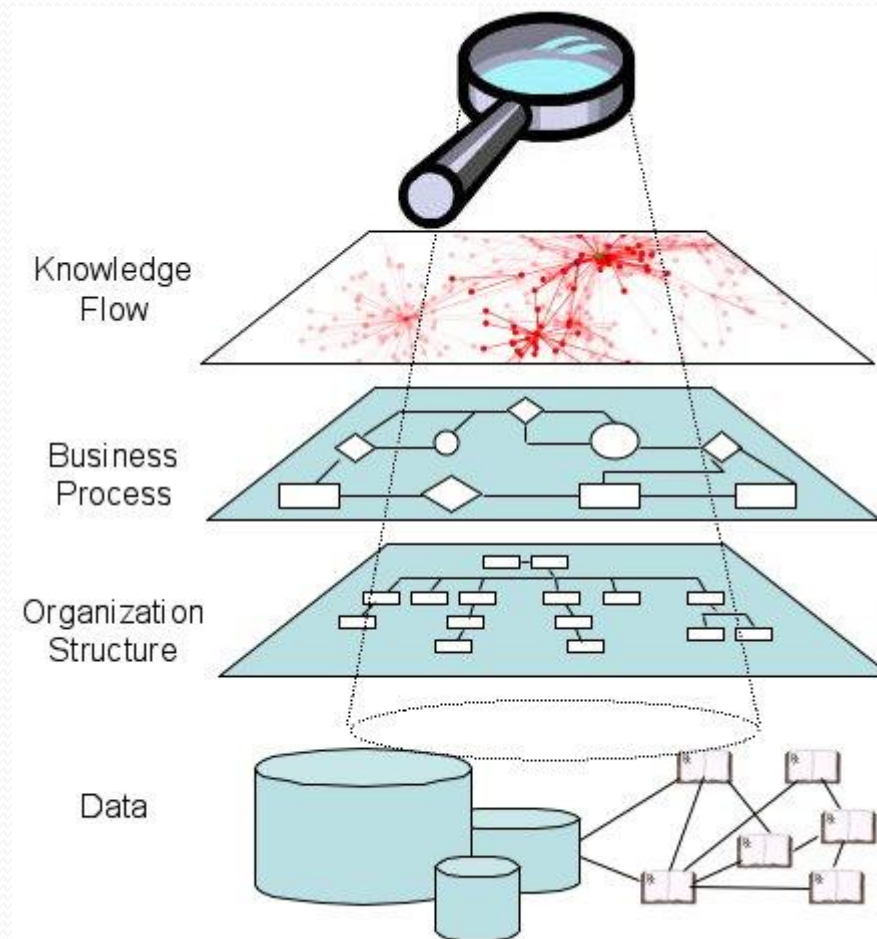
Historical reasoning for an organizational hierarchy of bosses

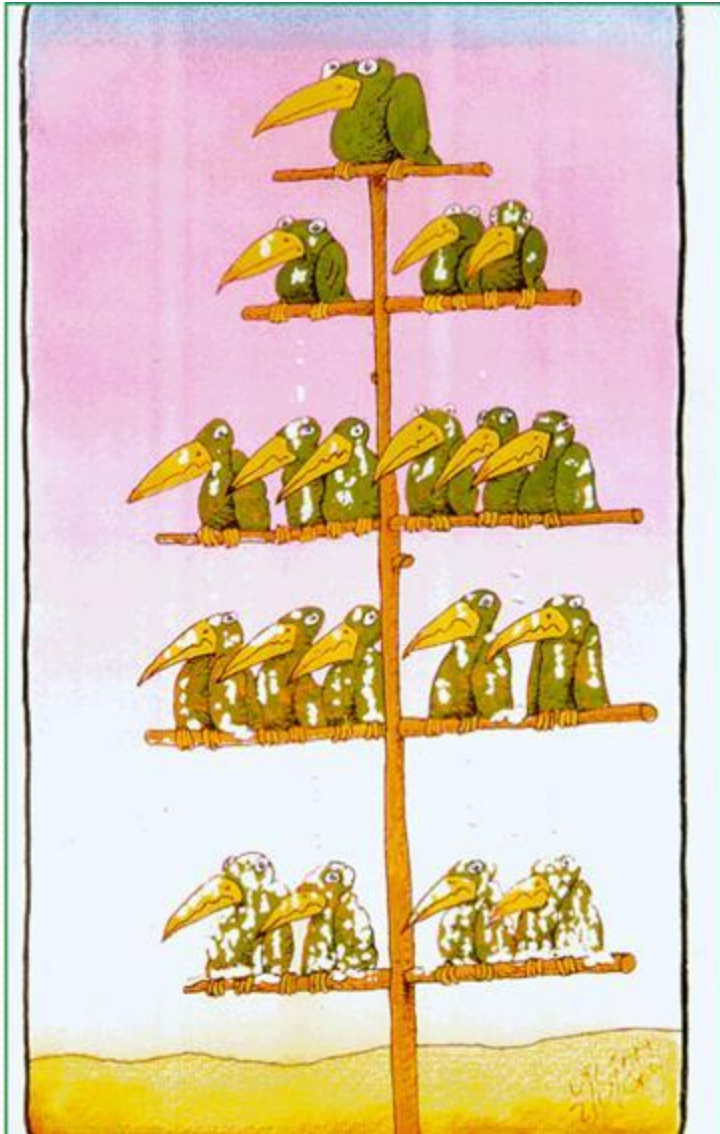
- **Cascading domains of accountability**
(i.e. fiefdoms)
- Domain representative for meetings
- Domain expert
 - Historical tech limitations of knowledge capture and sharing; much less so today
- Accountability requires Control
 - Including where subordinates spend their time
- Plan, Organize, Staff, Lead/Direct, Control, Motivate, Coordinate



1990s: Rise of Business Process Reengineering and Enterprise IT

- New interdependence across domains
- Everything connected to everything
- So we all live in continuous meetings and never-ending streams of email
 - Providing domain input
 - Sign-offs
 - Bureaucracy





The Boss-Subordinate relationship: ripe for abuse

- “**Toxic bosses**”, bullies, tyrants, jerks
- Fear, intimidation, power corruption
- Lessons from the Stanford prison experiments
- 3 factors of toxic bosses (Smith, Grojean, Rice JGS)
 1. A substantial greater **concern placed on outcomes than on the people** creating those outcomes
 2. A mechanistic view of **people as disposable resource** to be used at will for mission accomplishment
 3. A failure (or lack of concern) to consider **long-term organizational consequences** derived from such a lack of regard

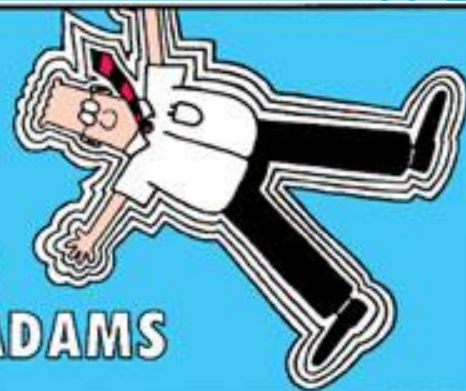
Negative effects of the Boss-Subordinate hierarchical structure

- Decisions kicked upstairs
- “Not my job”
- Passive employees, inertia, change resistance
- Hostile to innovation, initiative, creativity
 - Single “no” in the chain of command kills an idea
- Low engagement (21%), underutilized talent, disempowering
- Stifling bureaucracy
- Micromanagers
- Empire building
- Machiavellian politics
- Kissing up
- Arrogance, self-serving (only 12% believe executives have high ethical standards)
- Kellerman’s 7 types of bad leaders: **incompetent, rigid, intemperate, callous, corrupt, insular, evil**
- ‘Dilbert’, ‘The Office’



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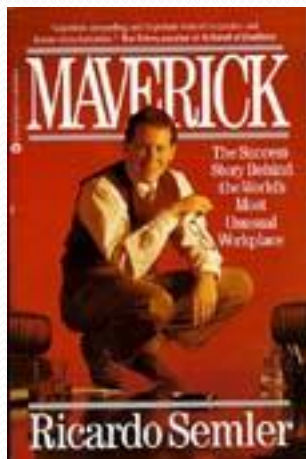
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The band-aid solution attempt: Leadership and Culture

- Try to soften power abuse
- Can work, but hard to sustain and harder to transplant
- Imagine if the Founding Fathers had gone with monarchy instead of democracy, but with really great leadership training so we had ‘better kings’?



Reframing the Boss-Subordinate relationship: Client \leftrightarrow Service Provider

Advantages

- Not locked into one client/boss; may serve many
- No employee 'ownership', which helps minimize fiefdoms
- No communication limits (anywhere in the hierarchy)
- Easier to shift to better work (change services and clients)
- Bosses/clients no longer stuck with underperformers; can simply disengage services

Disadvantage

- **BUT**, can still be just as abusive a relationship as Boss-Subordinate, or even more so (just ask any waiter)



A better alternative: Mentor Investor

- Model on **angel investors** in the tech startup world/Silicon Valley
- Help **intrapreneurs** succeed
- Sponsor, advise, tap social network, *but don't control*
- Give up control in exchange for much more **innovation** and **passion** from teams
- A more **balanced** power relationship



Ron Conway as paragon



TechCrunch

Ron Conway And The Technology Ecosystem

by Michael Arrington on Apr 8, 2010 44 Comments



56

324



In the [beginning of an interview](#) last week I introduced [Ron Conway](#) by saying that pitching him for an investment in your startup is a rite of passage in Silicon Valley. Venture Capitalists [Marc Andreessen](#) and [David Hornik](#) immediately agreed.

Why is that? Part of it is because Ron is the most prolific angel investor in the business. And also one of the most successful. The sheer volume of deals he's done over the last 20-30 years, investing in 3-4 startups per month, is staggering. And his hit rate is so high, particularly for the massive win startups, that very few investors can come close to the success rate he's had.

But a more important reason why he's the center of startup life in Silicon Valley is the fact that he works so long and so hard at what he does. Ron could have retired long, long ago. But he works harder than most people I know. And most of the time he's not working for himself. He's simply helping out other people.

[Andreessen Horowitz](#) partner [Ben Horowitz](#) wrote a [blog post earlier today](#) talking about why Ron Conway is so crucial to our community and ecosystem. Make sure to read the whole post.

Horowitz gives specific examples of how Ron operates, and says these are the key factors to how Ron does business:

1. **A ridiculous work ethic**—If Ron's awake, he's working. He can be at a party, in his pajamas, or at the Super Bowl. Ron is always on the job and the network is always on.
2. **Pure motives**—Ron does what he does, because he likes helping people succeed in business. He gives most of the money that he earns away to charity, so greed never clouds his vision or his mission. In fact, the investment component is almost an aside to his primary purpose.
3. **Super human courage**—Ron fears no man and he definitely fears no phone call. When you ask Ron for help, you don't have to wait a week while he warms up a connection. Ron's network is always on.
4. **A way of doing business**—This is the unspoken key to Ron's success. He's not judgmental in the conventional sense, but he acts with extreme prejudice when it comes to the proper way to conduct oneself in a relationship. If you behave below Ron's standards in this respect, you will not be allowed to participate. As a result, Ron's social network is a fantastic place to conduct business. Everyone is courteous, timely, and straightforward. Ron gets rid of the friction and enables his business partners to focus on what's important.

The Mentor Investor Model

- **Invest** in project teams
- Provides **resource allocation** control
- **Accountable** for good judgment on investments (RoI, peer review)
- Teams can choose from many investors; not locked in, and a **single 'no' can't kill an idea**
- **Syndicate** with others to spread risk on larger projects
- 'Funds' can be spread wide to all employees (like Google's 20% time), or more concentrated in trusted executives
- Bad ones naturally filtered out over time:
 - Won't find teams willing to take their investments
 - Don't get access to the best investments or talent
 - Investment performance will suffer



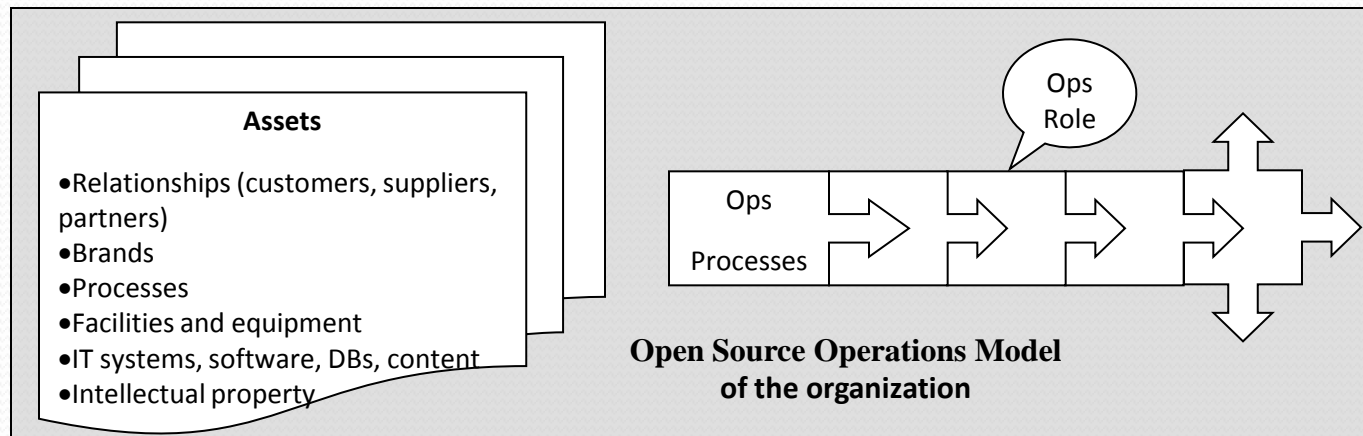
Pair-up with intrapreneurs and small, self-organizing project teams

- Lots of literature on high-performing teams
 - Minimal bureaucracy
 - Abuse is rare
 - Fast
 - Agile
 - Collaborative
 - Collegial, peer respect
 - “Work With” instead of “Work For”
 - Judged on results; reputation building over time
- But how to handle daily operations?

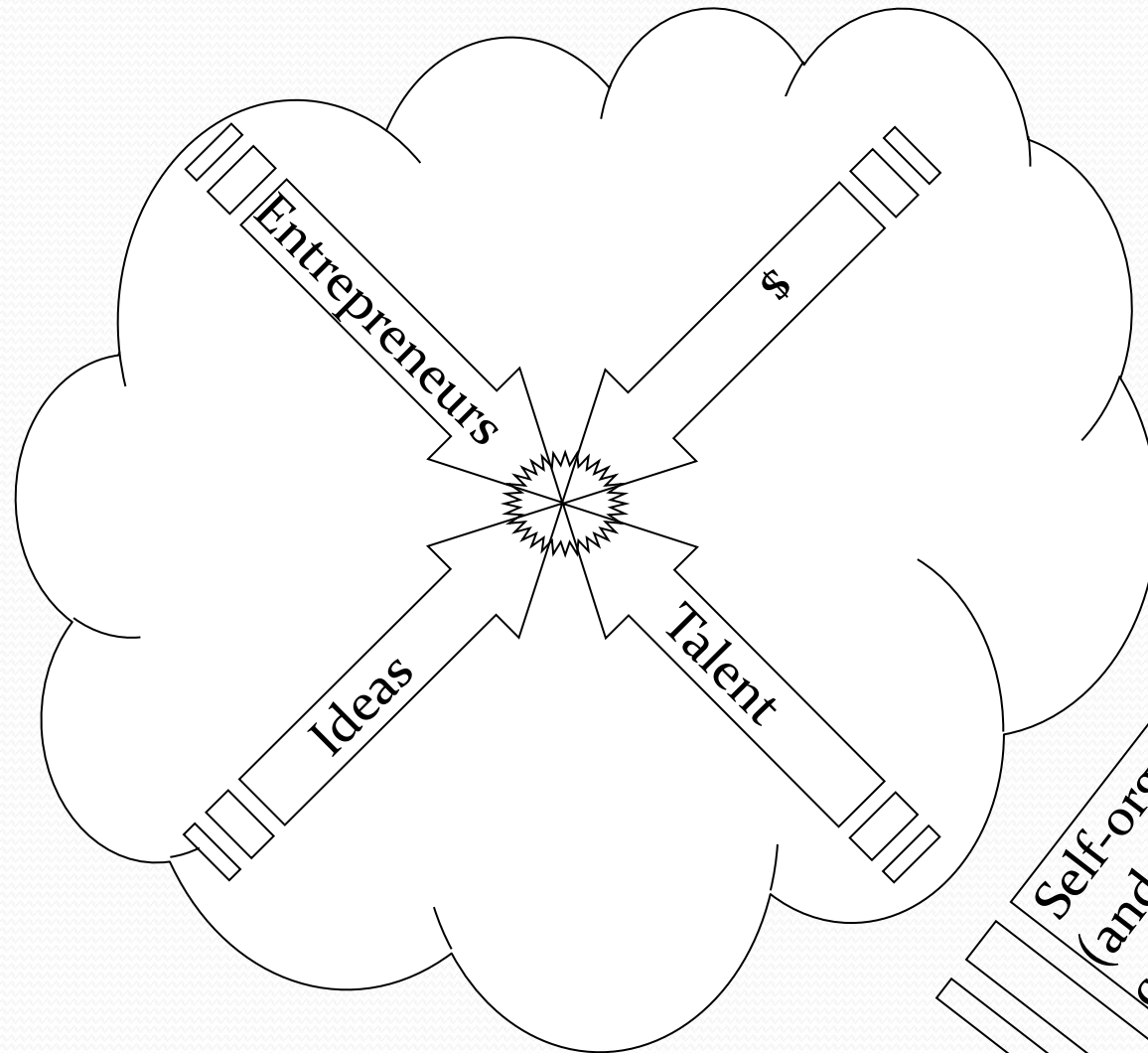


Open Source Operations Model

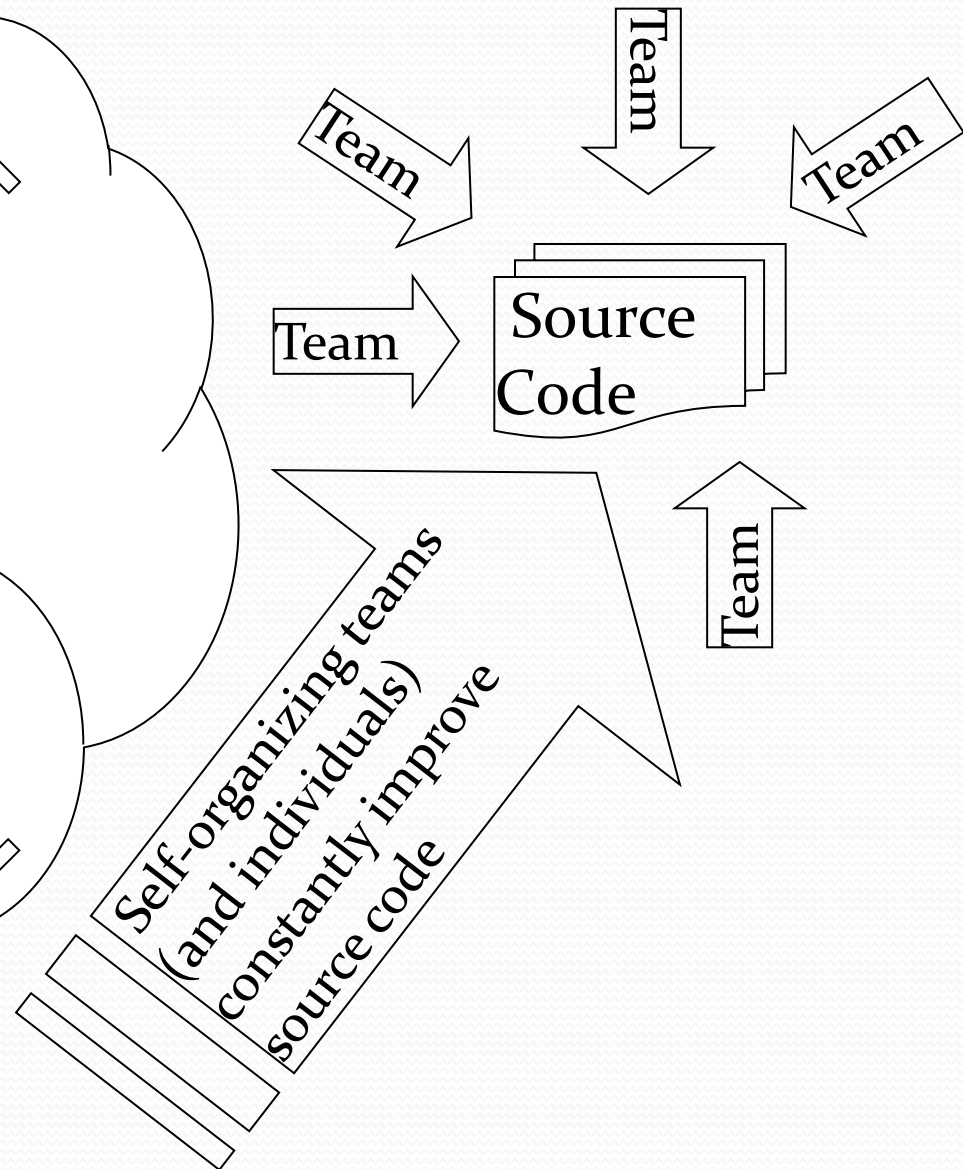
- Organization's “**source code**” and asset portfolio → **make it better** (intrapreneurs propose ideas, investors choose)
- **Assets**: processes, products, IP, brands, relationships (customers, suppliers, partners), facilities and equipment, IT systems, knowhow
- Wiki, DB/KB, collaboration software: a **Wikipedia of the organization**, vast increase in transparency and openness
- Ops roles/teams vs. project teams; both **self-organizing**



1. The Silicon Valley Ecosystem

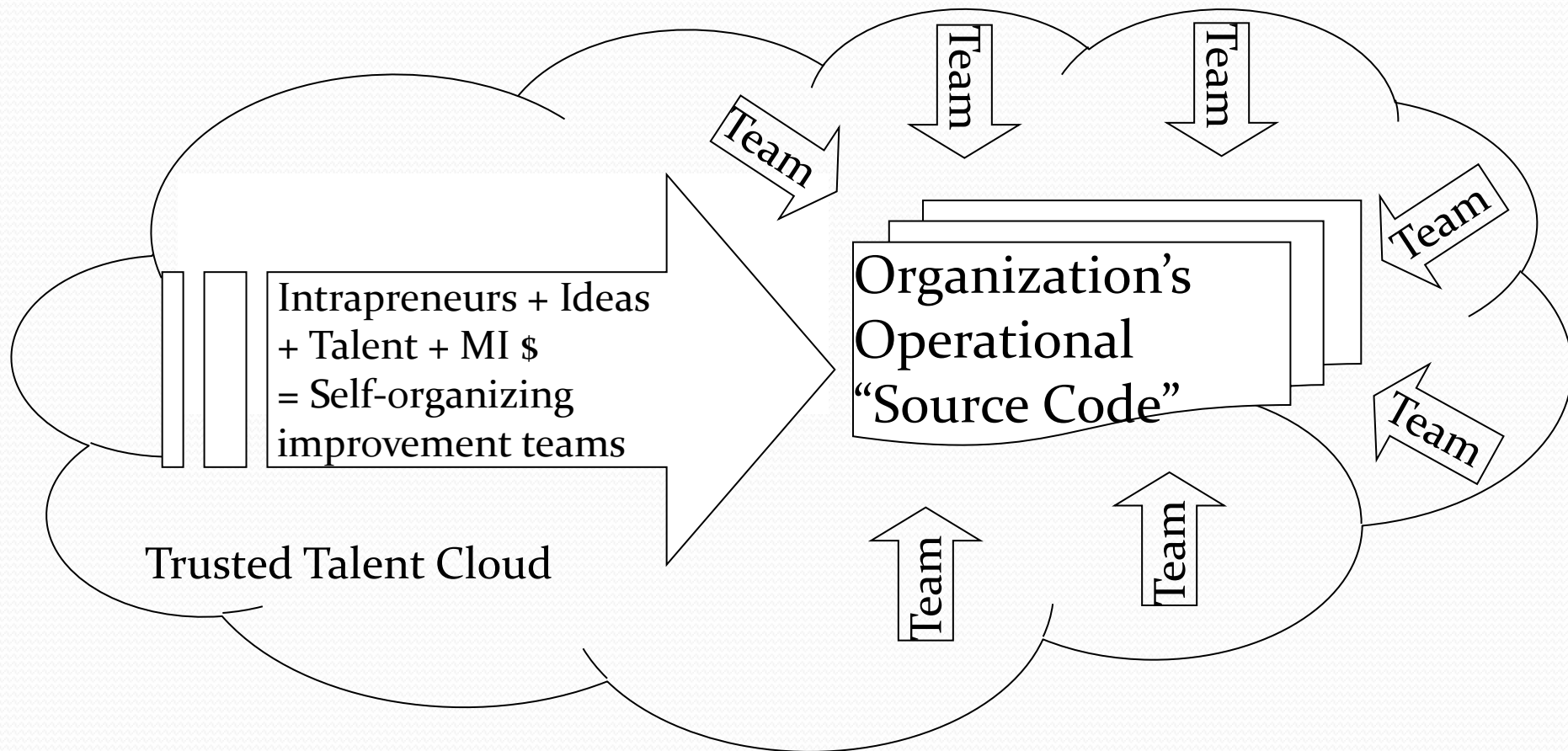


2. Open Source Development



A Silicon Valley-like ecosystem wrapped around an organization's operational "source code"

Innovation, Adaptation, & Engagement + Stability & Efficiency



What it means for people

- Accountability via **commitments**
- Ever-shifting **portfolio of roles**: mentor investor, project teams, operations roles/teams
- **Flow**: clear goals, rules, feedback, skills-challenge match (not bored or overwhelmed)
- Shift portfolio over time to stay in Flow
- Real empowerment, engagement, passion, innovation



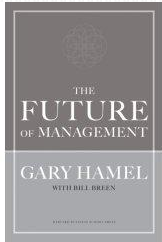
From →

- Rigid org charts
- Employees as cogs in a machine, offshored to the lowest bidder
- Narrow, constraining job descriptions
- Static, stressful jobs
- Tension-filled Boss-Subordinate relationships
- Reactive top-down assignments
- Supervisors controlling departments
- Rigid budgets
- Resource allocation via political games
- Siloed and opaque organizations
- Power based on position and fear

→ To

- Fluid operations models + project teams
- Creative, empowered team members
- Dynamic, tradable portfolio of operational, project, and leadership roles that tap people's full potential
- An ever-changing mix of roles to maintain optimal productive Flow in the zone between bored and burned-out
- Nurturing Mentor Investor – Intrapreneur relationships
- Proactive bottom-up initiatives by self-organizing teams
- Mentor investors sponsoring projects
- Flexible, investable pools of capital
- Internal free markets
- Open and transparent organizations
- Power based on respect, trust, and expertise

Vs. Hamel's FoM Principles



- Command-and-control to **mobilize-and-mentor**
- **Decentralize** wherever possible.
- Break big units into small units.
- Ensure **transparency** in decision-making.
- Make leaders more accountable to the led.
- **Align rewards with contribution**, rather than with power and position.
- Substitute **peer review** for top-down review.
- Steadily enlarge the scope of **self-determination**.
- Everyone has a voice.
- The tools of creativity are widely distributed.
- Its easy and cheap to **experiment**.
- Capability counts for more than credentials and titles.
- **Commitment is voluntary**.
- Power is granted from below.
- **Authority is fluid** and contingent on value-added.
- The only hierarchies are “natural” hierarchies.
- Communities are self-defining.
- Individuals are richly empowered with information.
- **Ideas compete** on an equal footing.
- It's easy for buyers and sellers to find each other.
- Resources are free to follow opportunities.
- Decisions are **peer-based**.

Discuss, Q&A