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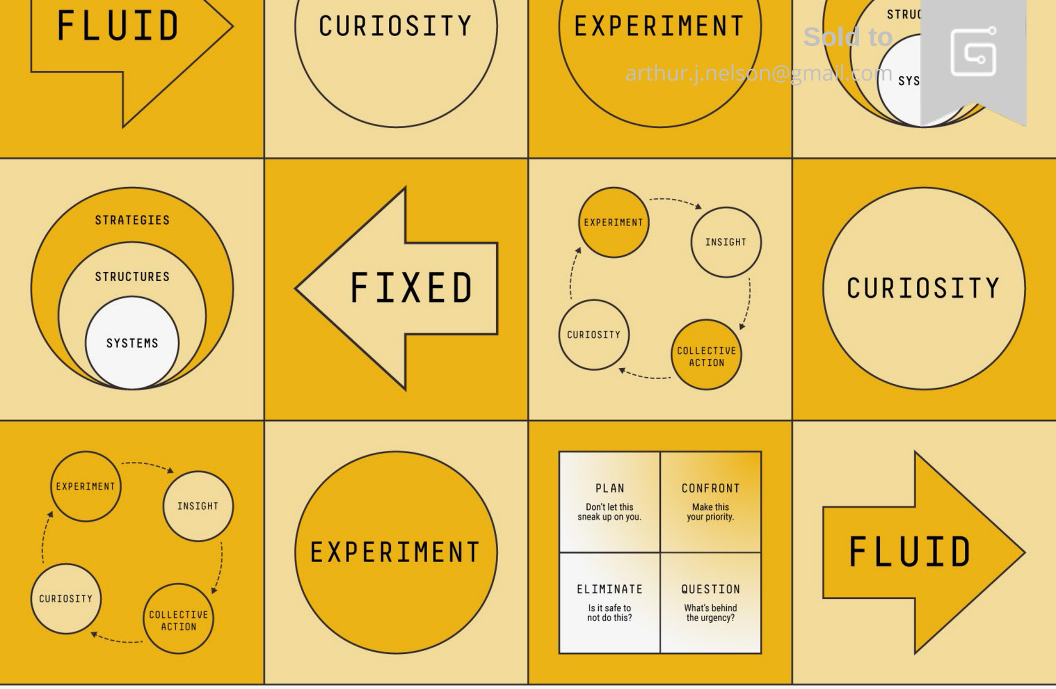
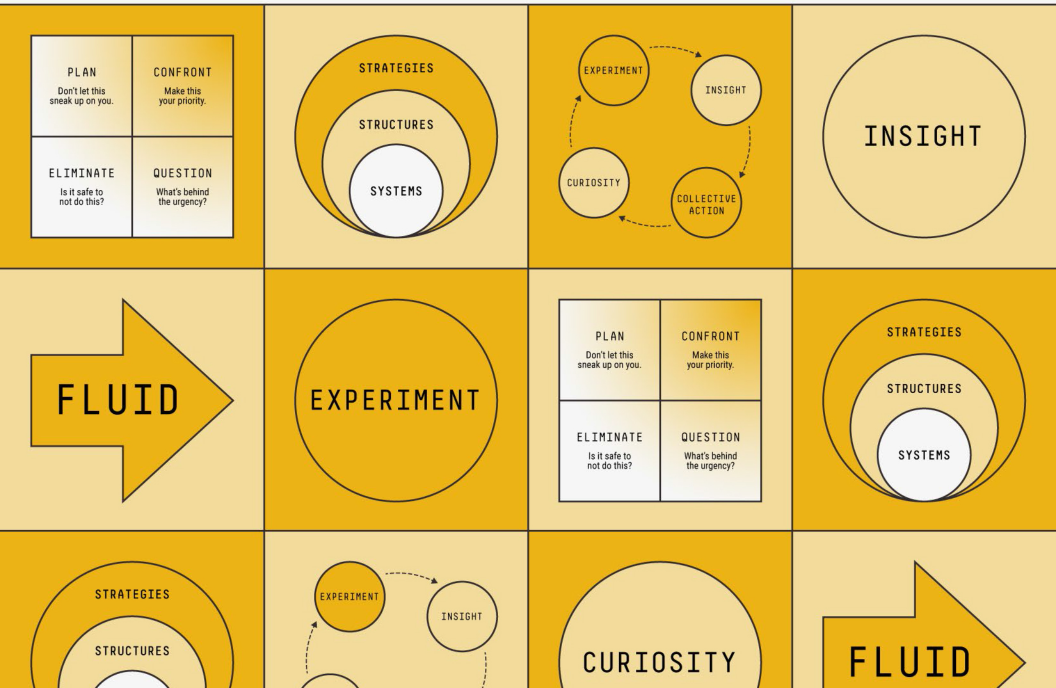


Leading Change

The Best of NOBL Collective's Writing



You made this book possible.

Since our founding, we've been sharing our thoughts on organizational design and change in our weekly newsletter. More often than not, the topics originate from you—they're questions that readers have posed, or problems that clients are facing—and they're forwarded and passed around to others who are facing similar problems.

What follows is a collection of our most popular pieces: the articles that people keep coming back to year after year. It's our way of commemorating what we've built together, and of saying thanks for sharing your challenges and your triumphs with us.

So read it. Pass it on to a friend. And if you want to add to the conversation, reach out—we're already starting on Volume II.

Regards,

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Change

It’s rare that leaders in an organization don’t know what needs to change: Be more digital. Serve the customer first. Act faster. But the challenge of changing is the “how” as well as the “what.” These articles focus on how to make change, and what obstacles may appear.

The Evolutionary Edge

This was one of our earliest pieces of writing, and yet it's still referenced when we give interviews or host events. We've spent the time since truly understanding how to operationalize these practices in established organizations, and we hold fast to the notion that a capacity for organizational change is the last sustainable competitive advantage.

"It is not the strongest or the most intelligent who will survive but those who can best manage change."

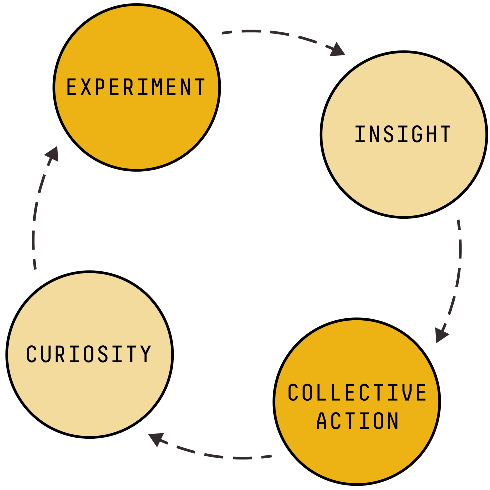
—Charles Darwin

A New Way of Working

Today's most successful firms have discovered a new way of working that enables them to thrive in dynamic and even volatile conditions. The ability to change is their competitive advantage. We call this the "Evolutionary Edge."

From the outside, the Evolutionary Edge appears as four behaviors:

- More experiments, executed more quickly, in more areas of the business
- Actionable insights developed from experimentation with real customers
- Swift and effective collective action driven by insight
- Organizational endurance for sustained hypothesis testing and self-disruption



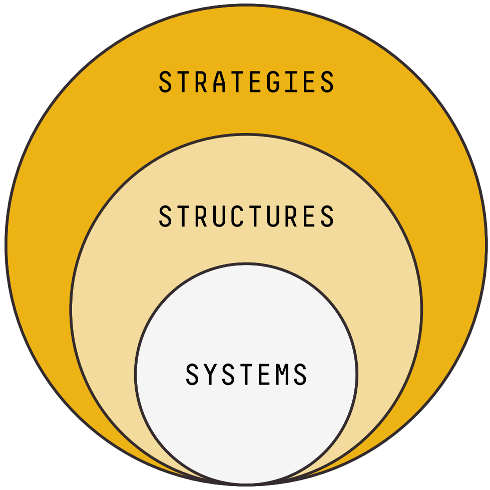
THE FOUR BEHAVIORS
OF THE EVOLUTIONARY EDGE

These behaviors drive organizational evolution. Together, they fuel faster cycles of discovery, development, defense, and recovery—in turn catalyzing growth and ensuring greater resilience.

Social organization, from the nuclear family to the limited liability corporation, is a problem-solving strategy. Animals hunt in packs to confront larger prey, and people form businesses to confront larger opportunities. Therefore, social organizations emerge in response to their environment.

Today, the environment is faster, flatter, and less predictable than ever before. Shifting consumer demands, unforeseen competition, cultural tides, and market volatility coalesce more quickly now. Instead of doubling down on planning, prediction, and control, organizations should instead mirror an environment defined by change. The more an organization can adapt its internal structure and systems of behavior to respond to present and emerging conditions, the more successful it will be.

Today's most successful firms literally harness evolutionary forces to adapt faster than their peers: they speed up experimentation, selection, and recombining within their operations to find and capitalize on new opportunities. These companies are lean, mean,



THE DOMAINS OF
THE EVOLUTIONARY EDGE

testing machines, capable of wide-scale experimentation, intuitive insight generation, and collective action (as well as continued endurance).

Honing Your Evolutionary Edge

Since the global economic collapse of 2008, we've been studying how organizations evolve in the face of change. Our studies and experiments have taken us from the halls of academia to the boardrooms of the world's largest enterprises. What we've found is a set of underlying conditions that need to be present for an organization to fully and continuously adopt an Evolutionary Edge.

We define these conditions across three nested domains: **Strategies**, **Structures**, and **Systems**. At the highest level, these organizations pursue a suite of strategies developed with the context of their markets and their customers. They oversee structures which can easily adapt to the direction and implementation of those strategies (and the surprises inevitable in the process). Lastly, they deploy internal systems which enable autonomous and self-organizing teams, rather than limiting human agency. While this nesting of domains is straightforward, for many existing organizations, the ordering may seem counterintuitive. Often, we encounter teams restricted in their work by the systems underpinning their organizations. We find structures not designed for the company's ambitions, but based on the category's standard way of working. We find strategies not defined in relation to a customer, but to an internal or market-driven need. Unfortunately, we have yet to find a firm that rejects this nesting of domains and embodies the behaviors of an Evolutionary Edge over a prolonged period.

STRATEGIES

The vision, ambition, and intention of the organization, in relation to its environment, over time

A traditional organization undergoes lengthy yearly planning cycles (sometimes up to two years in advance) where managers are expected to determine the year's organizational mission (sometimes re-writing its purpose), necessary actions, and the resources required to take those actions. Most of the time, this is an exercise in copy/pasting last year's plans and struggling to do more with fewer resources. This whole endeavor is an effort to reduce uncertainty, even though the biggest producer of uncertainty is the environment outside of the organization—and no Excel formula or PowerPoint slide can reduce that. Inevitably, conditions outside (and often inside) the organization change, and those meticulously prepared plans are either abandoned, or worse, still followed.

An Evolutionary Edge helps organizations shift from rigorous planning cycles to defining and deploying adaptive strategies. However, adaptive doesn't mean absent. Any organization must have the bedrock of their vision, mission, and values to build from. These should be reflected on and revised slowly over time.

When we examine an organization, we want to see strategies which are:
- **Aware:** Devised (and adapted) through sensory perception of the environment and in anticipation of probable conditions
- **Aligned:** Unpacked in harmony among teams and individuals
- **Mutually Beneficial:** Defined as a shared outcome with customers and partners in the supply and distribution chains
- **Supported:** Embraced by individuals, fed by resources

STRUCTURES

The relationship between individuals, teams, roles, disciplines, and hierarchies, both within the organization and extending out to customers and partners

A traditional organization structures its people as it structures their titles: by hierarchy and discipline. Too often this leads to fiefdoms, messy hand-offs, blocked progression (no one can progress above their own boss), and a lack of customer involvement. Meanwhile, it becomes harder for teams to determine customer-based strategies when their work is centered around their own discipline or siloed channel.

An Evolutionary Edge helps organizations develop structures which are focused on their customers and able to adapt quickly to changes in strategy (based on changes in the market). Ultimately, these organizations are experts in collective action, directing individuals and teams to confront new challenges with speed and focus.

When we examine an organization, we want to see structures which are:

- **Consumer-outcome Based:** Teams designed around explicit and measurable customer-facing outcomes (e.g., resolve customer complaints, deliver products within two days) over channels (e.g., website) or disciplines (e.g., design)
- **Lean:** Teams populated with only the members essential to the work
- **Autonomous:** Teams given diverse skills and the control needed to take an experiment to market without interference or interdependence
- **Porous:** Internal structures which are permeable to additional resources, communities, partners, and all other teams
- **Self-Organizing:** Teams granted the authority and resources to assemble, adapt, or disband based on evidence

SYSTEMS

The rules, tools, processes, and frameworks which influence individual and collective behavior within the organization

Traditional organizations deploy systems which can scale indefinitely, rather than adapt over time. These systems are often managed by a select few, enforced with an iron fist, and disregard that the employees of the organization are their ultimate customers. Moreover, as organizations scale, these systems often require more and more human support, even though competitors begin to scale using more automated systems. An Evolutionary Edge helps organizations deploy systems which are malleable based on the organization’s team structures and strategies. Moreover, these systems (whether they manage email or compensation) are created for employee needs, rather than rigid operational efficiency, which make them not only better for getting the work done, but also a competitive cultural advantage over the company’s peers.

When we examine an organization, we want to see systems which are:

- **Simple:** Systems which are intuitive, uncomplicated, and interoperable
- **Transparent:** Systems which are explicit and distributed
- **Plastic:** Systems which are malleable in pursuit of the organization's strategy and in support of the organization's structure
- **Automated:** Beneficial systems which initiate or take place without conscious human action

Making the Transition

In evolution, natural selection is responsible for traits gradually becoming more or less common among a population. In organizations, we have the benefit of artificial selection to manipulate which traits are reproduced and thus repeated from project to project, rather than relying solely on tradition or the status quo.

The challenge, however, is three-fold. First, we have to know which traits we are selecting for and which individuals and teams are most desirable (both among our current employees and potential hires). Therefore, we need a way to objectively measure and identify these traits (hence why every project we conduct begins with a survey assessment). Any organization can start by simply reducing the role that internal politics and favoritism plays in rewards and dismissals.

The second challenge is that your product cycles largely determine how fast you can experiment and change. A product that takes four years to build and release, for instance, will make it harder to judge which changes make a real impact. If you don't find ways to test different ways of working outside of that product cycle, you may never implement a culture of experimentation. We recommend that clients spin up new projects or team pilots just to kickstart the process of selection and reproduction (i.e., when team members split up and take these new traits to other teams).

The third challenge is less obvious but perhaps more sinister—homogenization. Now that we know which traits to select for and have some existing candidates already in mind, we're susceptible to the risk of hiring or promoting only those who share cosmetic similarities (influenced by our biases) to the initial candidates. This is how organizations end up with more of one gender, or more of one race, or more of one personality type—all of which make our organizations more fragile to change, not less. In our organizations, as in nature, variety and diversity are absolutely critical to long-term sustainability.

Taking the First Step

The best day to start implementing these behaviors and traits into your business is today. The best project to start with is the one in front of you. But by no means should you start by emulating every trait or by adapting every project. Every organization is unique, because every organization is a complex system. Some traits will be harder to change, and some will be stickier based on your culture.

Begin by testing just one new trait on the project you are either leading or contributing to. You could try simplifying the process, fielding a multidisciplinary team, or unpacking and aligning the organization’s strategy with your department’s goals. Regardless, pick one, try it, and see how it suits your needs and organizational context. Then try another and adapt it based on what you’ve learned. Wash, rinse, evolve.

Stop Looking for a Silver Bullet for Your Org Problems

I spent three intense years in grad school studying organizational change. One day, someone asked me what I got out of the program. I had to reply, "Better instincts?" How I wish that time and money would have gotten me a silver bullet! But when it comes to human relationships at scale (which is all organizations really are), silver bullets are mirages.

Now that you've had a week to settle back into your work routine, all those nagging problems you managed to forget over break have come rushing back: you still have too many meetings, your teams aren't working in sync, the 2017 strategy needs an update… But the worst part is that feeling that you're missing something obvious. If only you could find a silver bullet for your biggest problem, surely all the other issues would fall in line.

We've seen companies try the following "silver bullets":

NEW EXEC HIRE!

What you think will happen: An experienced executive will roll up their sleeves and fix the problem, leaving the rest of the team free to focus on their departments.

What actually happens: The other executives fight over territory, reinforcing existing silos. Meanwhile, the new executive rebuilds what they had at their old organization, rather than figuring out what's right for their current company.

AN ORG CHART RESHUFFLE!

What you think will happen: Moving people into different groups and reassigning leaders will make it clear what everyone's working on, who's responsible for what tasks, and how teams should keep each other informed.

What actually happens: Your team spends time establishing new relationships and understanding their new managers' way of doing things, instead of doing their work. Worse, you hear grumbling about how the reorg is just another clueless attempt by management to make it look like they're doing something useful.

NEW STRATEGY PRESENTATION!

What you think will happen: A strategy presentation that details the next five or 10 years will help everyone understand what you're trying to achieve and how they should prioritize their work. Better yet, they'll be able to make decisions without you having to micromanage them.

What actually happens: You spend time solving problems that may or may not actually happen in the next five to ten years while neglecting the issues that need to be solved immediately. Preparing the presentation, you get bogged down in discussions about image and font choices. And when you do present the new strategy, the rest of the team gets nervous and wonders why you're changing course.

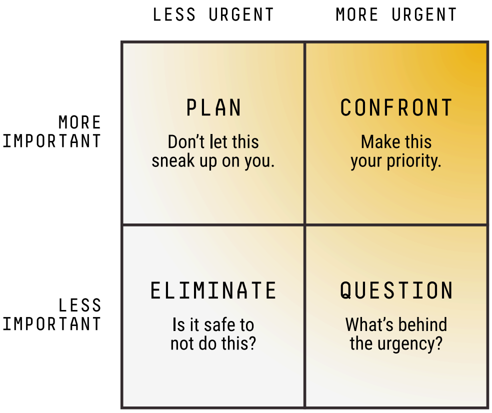
NEW TOOL TIME!

What you think will happen: A new app or tool (like a project management app or chat platform) will get everyone on the same page, saving time and avoiding duplication of efforts.

What actually happens: Some people adopt it, some don't, so the team has to keep using both systems. Eventually, people get tired of this, so they revert to their old habits. Or worse, in your effort to solve every problem with one tool, you select one that's so complex, it requires its own support staff.

Before you leap to any one of these solutions, make sure you're addressing the right problem.

1. **Determine what's urgent, and what's important.** Use the Eisenhower Box to identify what problems demand your immediate attention, and deprioritize the rest. (You may also find it bracing to estimate how much time you spend on tasks that are not urgent



EISENHOWER BOX

or important, and adjust accordingly.)

2. **Take a Gemba Walk.** Follow Toyota's practice of walking the factory floor: go talk to the people who are most affected by the problem. Get their input on the objectives and what an acceptable solution looks like.
3. **Try out a Minimum Viable Solution.** Adapt the concept of Spotify's "Minimum Viable Product" to your workplace. What's the simplest, easiest fix for this issue? Get feedback and iterate.

We're not saying that you should never reorganize your team structure or engage in long-term strategic planning. In the right context, they can be perfectly valid options, but don't expect one initiative to solve all your problems.

Last but not least: real change (at least, the positive kind) typically doesn't happen overnight, nor will people adjust to the "new normal" right away. So be patient.

The Miyagi Method of Organizational Transformation

Just last week I caught up with the client referenced in this piece. She is on to new things and shared that she took the "ways of working" artifact we created together to an interview. She is a legend, with decades of accomplishments she could have referenced, but she chose to talk about the transformation work we did together and everything she learned. The student has become the master.

A couple months ago, one of our executive clients ran up to us and announced, "I finally get it. You guys are Mr. Miyagi. Wax on, wax off, right? RIGHT?" No one had ever described our theory of change management and organizational transformation in that way, but it's apt.

A History Lesson

Management consulting is an almost 100-year old industry with a very simple proposition: watch how a successful company does something, package it as a "best practice," and sell that best practice to every other organization (even their competitors). McKinsey and its ilk peddle the same "Centers of Excellence" and hefty PowerPoint presentations to each of their clients for an ever-increasing profit margin. It's a clever business model, but as it's become the norm in every large organization, it's had two very bad unintended consequences:

1. **Management consulting has wrongly encouraged companies to outsource their own ability to change.** That critical muscle of sensing and responding to new ways

of working and operating your business is now something you can rent from others, instead of an ability you can hone on your own to be a competitive advantage.

2. **Management consulting has caused the internal rate of change inside organizations to slow, even as the rate of change outside has increased.** If you sell best practices, it's more profitable for those best practices to change LESS frequently so you can continue to profit from each for a longer period of time. Constant research is simply less profitable than selling the same idea over and over again.

In the last few years, the big consulting firms have done a good job at giving themselves a fresh coat of paint and paying lip service to digital, adaptivity, and resilience. But the fundamentals of their business model haven't changed. If our clients are any indication, organizations are becoming increasingly frustrated with Big Consulting's templated solutions and detached bedside manner.

Patience, Grasshopper

If you've worked with any of the big consulting firms — and if you're reading this, you probably have — you know the drill: McKinsey/BCG/et al shows up, diagnoses your problem, and delivers a complicated framework borrowed from a competitor, typically in the form of a fancy PowerPoint deck. (Operationalizing and enforcing the solution among your people, though, are your problem.) This feels like you're getting to a solution faster, but there's a catch: even the consulting firms admit that organizational transformation has a catastrophically high failure rate.[1] It turns out that shoving complicated models down the throats of overworked and disempowered people isn't a recipe for long-lasting change.

With us, it could feel like you're just painting a fence in the first weeks. Sure, you're learning new skills and exposing your challenges, but all of our clients hit a moment where the entire team or department cries out for substantial change. We let this happen by design. We need the full team not just curious about change, but hungry for it. This is when we know that the internal conditions of the team are truly ripe for new ways of working. We manage this process around our ABCD's:

- **Attitudes:** Is change preferred to no change?
- **Behaviors:** Is there a process for continuous improvement?
- **Conditions:** Are there enough internal resources to be able to support change in parallel

1. mckinsey.com/business-functions/organization/our-insights/how-to-beat-the-transformation-odds

with the existing work?

- **Directions:** Do people believe in the power of change to improve work?

Wax On, Wax Off

With those conditions met, we begin the following process with our clients. (If you're a consultant yourself, please steal this so we can stop making the global economy so damn brittle.)

- **We train 20% of your staff to be coaches alongside us**. On Day One, we start to identify and train a cohort of employees in how we approach defining challenges and designing organizational solutions.
- **We help you experiment with leading practices.** We have a dedicated research team that scours the world for new ways of working. But we don't label these "best practices," as the context and culture of an organization should dictate what's best, not the title of a PowerPoint slide. We help clients experiment with a few different ways to solve a problem until they find the solution that shows the best results for their business and their people.
- **We train your retrospective muscle.** Decades of agile and lean practices have proven that looking back on the work and suggesting slight changes to how you work helps build a culture of continuous improvement. We show clients how to conduct these meetings and how to ensure that the proposed changes stick.

Wait, I'm Not a Consultant!

If you just want to know how you can apply this approach to your team right now, here are four simple rules to keep in mind:

- **Prepare for the long haul.** Your team's capacity for change is a more valuable skill, long-term, than any single change in the short term.
- **Reward curiosity.** Create a culture of curiosity for HOW the work gets done as much as the end result of the work.
- **Practice, practice, practice.** Practice the process of identifying, executing, and refining change. Make this process a cultural habit.
- **Hire for resiliency.** An organization should be as dynamic internally as its world is externally. Some people thrive in these conditions, others do not. If your market is chaotic, hire people that can thrive among chaos.

How Long Does It Take to Change Company Culture?

Before you announce your big change, give yourself a sane timeline to conduct it. Remember that it took a year and a half for Steve Jobs to turn Apple around when he returned, and remember that you're not Steve Jobs.

When you're proposing a new way of working, everyone wants to know two things:

- How long will it take to change?
- Do we really have to?

Making the Best of Worst-Case Scenarios

Companies, just like people, typically won't change until they have to. But crises and low points can serve to galvanize the team and force everyone to deal with underlying issues that have been avoided. Taking definitive action will help speed up your timeline for change, as the following companies illustrate:

- **90 Days.** When Jeffrey Katzenberg was brought in to turn around Disney's Animation Studio in the 1980's, he noted, "You've got 90 days to change culture before it starts changing you."[2] While not everything was fixed immediately, the changes implemented in those first months laid the groundwork for the Disney Renaissance of the 90's.

2. Hahn, Don and Peter Schneider. *Waking Sleeping Beauty.* Directed by Don Hahn. Burbank: Walt Disney Studios, 2009

- **One and a Half Years.** Steve Jobs was re-appointed as Apple's CEO in August 1997, when he quickly cancelled the Newton and announced an Apple-Microsoft deal.[3] The iMac was released in August 1998 and returned the company to profitability for the first time in three years. A second generation of new color models followed in January 1999, and a week after, Apple announced that quarterly earnings had increased 3x over the prior year. That, plus the popularity of the iBook, helped send Apple's stock price to $99.
- **Two Years.** Domino's spent two years developing new sandwich products and improving their staple recipes, using consumers and franchisees as test subjects throughout the process. Once they were confident in their new product, they launched the "Pizza Turnaround" campaign, and needed just one quarter to show a 14% increase in sales.[4]
- **Three Years.** In September 2012, Hubert Joly, Best Buy's current CEO, came to the rescue by creating a framework for managing a successful corporate turnaround. His transformational leadership helped Best Buy return 154% in three years.[5]

Think Big

Unfortunately, most companies don't realize they're facing a crisis until it's too late: Xerox ignored the personal computing movement. Kodak missed the digitization of film. Blockbuster was defeated by streaming.

Companies which stand the test of time must constantly experiment with new ways to capture, package, and distribute value to their customers. (We love the Business Model Framework developed by Tom Hulme and Colin Raney — yep, even more than the popular Business Model Framework.[6]) Just as important as evolving your model, though, is convincing others that it's the right thing to do. As you're developing your proposal, be prepared to answer the following questions:

- **Why should we do it?** Is there a clear path to growth and category dominance?
- **What do we need to deliver?** What value are we promising to customers, and how do they expect to receive it?
- **How will this change our organization?** Do we have the necessary capabilities and organizational structure to execute this idea?
- **What are the risks?** What happens if we fail? What unintended consequences could happen if we succeed?

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3. entrepreneur.com/article/220604
4. qsrmagazine.com/menu-innovations/many-acts-domino-s-pizza
5. fortune.com/2015/10/29/best-buy-ceo-turnaround-tips
6. bmtoolbox.net/tools/business-model-framework

- **How can we prototype or pilot this?** How do we learn as much as we can with investing as little as possible? What assumptions are most critical to test immediately, and how do we design that test?

Start Small

If your organization isn't ready to consider massive changes, we suggest starting with meetings. They've become the de facto way for how teams do work today, so making a change here has a ripple effect. We have plenty of tools to help you design meetings, but here are a few tips that will keep them running on time:

- **Include travel time.** Make standard meeting times 20 or 50 minutes to allow for the "passing period."
- **Set simple policies.** For regular meetings, collectively write up attendance and late policies which might look something like, "notify the team 24 hours in advance if you can't make it," or, "if you come in late, sit down quietly and listen until you have caught yourself up rather than making everyone recap the meeting."
- **Have a one-on-one with latecomers.** For a chronically late person, sit down with them and explain that showing up late is a sign of disrespect for people and their time. Ask what you can do to help them meet their commitments or help them not overcommit.
- **Designate a timekeeper.** Assign one person per meeting to announce when there are 10 and five minutes remaining. This helps meetings start on time by making sure others aren't running over (see the first point).
- **Keep going.** Whether it's a daily habit or a complete corporate turnaround, making changes — and getting them to stick — is difficult. But keeping people motivated with small wins will move you towards the bigger picture.

Strategy

Change is often delayed because someone is waiting on a strategy—a master roadmap for the next five years encapsulated in a 100-slide deck. We've forgotten that strategy is really just a bet on the future, and that your team's ability to sense, formulate, and test choices and trade-offs is more important than a PowerPoint presentation.

So You Think You Have a Strategy

All too often leaders forget that strategy is a team sport; that strategy should be developed with insights provided from teams on the ground; and that it should be designed to serve the decision making and ways of working for teams on the ground. Note that none of the strategy roll-out work advised in this article can possibly be carried out by one or two leaders in a boardroom.

You may have a PowerPoint file entitled “Strategy,” but are you sure it’s really a strategy? Before rolling it out, make sure it passes this checklist:

- Does it accurately and honestly detail your company’s current position and condition in the market?
- Does it describe an ambitious, yet achievable, future position and condition?
- Is this future position and condition described by both concrete numbers and inspiring prose?
- Does it recognize foreseeable obstacles, and make room for the possibility of unforeseen obstacles?
- Does it spell out key priorities so that teams can make better, faster decisions without having to run everything up the hierarchy?

If you answer “no” to any one of these questions, start over. If everything checks out, then congratulations! You have a strategy. Now what?

1. **Share with department leads.** Consider your strategy a brief for each team, not just the executive team. Each department head should work with their team to develop tactical scenarios (i.e., possible ways to make forward progress), including key activities, dependencies, assumptions, measures, and resource needs. Give them a simple template that they can use to describe each scenario. This step should take no more than two to three weeks.
2. **Find synergy.** Convene a cross-functional planning team with a mix of junior and senior leaders to review each team's scenarios. Give the team the task of finding commonalities between each department's work. In other words, bring these action plans into harmony and help knit the groups closer together. This will likely require a creative leap, and the team may very likely develop a new tactical plan across the company that is informed by each department's initial plans. This step should take no more than two weeks.
3. **Critique.** Bring the planning team's work back to each department to raise objections (e.g., "This is unsafe for the business to try") and develop contingency plans (e.g., "What happens if commodity prices spike?"). This step should take no more than one week – don't worry if you can't generate every possible future disruption.
4. **Schedule.** Plot the calendar: take over a wall in the office (or use a Google Sheet) and put key deliverables and milestones, by team, in order. Don't use anything that can't be erased or moved – the calendar must be malleable. Get this step done in a week if you can.
5. **Act.** Put your hard work into practice. Get the organization on a shared metrics dashboard and transparent project tracker (Pro-Tip: start with Google Sheets before moving on to something more sophisticated). Make it the job of every employee to raise a red flag when they're feeling stuck or when work, overall, is obstructed. Each team, at every level, should check in on actual progress versus the ideal plan each week. Shift milestones when you need to and then, as a team, discuss the implications and share with other teams.
6. **Speed up and streamline.** As your market becomes more frenetic and uncertain, your ability to plan, execute, and respond must become more adept.
   a. Reduce the amount of paperwork and ceremony (start by banning PowerPoint).
   b. Work in collaborative document formats (Google Sheets over static Excel files).
   c. Invest in a self-serve data platform so any team can track market and customer feedback.
   d. Plan in shorter cycles (a year becomes a quarter becomes a month becomes a week).

All of these things can make your team far more nimble, but get the basics right, first. So many consultants and business books focus on the tactics of speeding up an organization without putting the essential building blocks in place.

Decisions, Decisions

It's late 2017, and Tesla is still manufacturing Model 3's by hand. Will they be able to ramp up their production capabilities to satisfy their pre-orders? It's unclear. But what is certain is their corporate strategy. It's been more than 10 years and they've stuck exactly to the script they first laid out. It's still a marvel in both accuracy and brevity.

Just last November, former Daimler Chairman Edzard Reuter called Tesla "a joke that can't be taken seriously compared to the great car companies of Germany."[7] But now that over 350,000 people have reserved a car that they won't get for a year or more, Germany's auto industry is worried that it's being left behind.[8]

Tesla was only able to achieve this remarkable feat because they've kept their plans for building just such a car secret – wait, no, actually they laid out their strategy in a blog post back in August 2006:[9]

- Build sports car
- Use that money to build an affordable car

7. latimes.com/business/autos/la-fi-hy-0419-tesla-germany-20160419-story.html
8. shopify.com/content/102278918-teslas-model-3-sedan-gets-over-350-000-reservations
9. tesla.com/blog/secret-tesla-motors-master-plan-just-between-you-and-me

- Use that money to build an even more affordable car
- While doing above, also provide zero emission electric power generation options
- Don't tell anyone

What's most remarkable about this strategy is its simplicity. Of course, all of the work involved in executing it – designing and manufacturing a car, developing a charging network, and so on – is very difficult. But the strategy itself is clear: it says what the company plans to do, and how it's going to get there, in a few dozen words. If you think that's an impressive accomplishment, consider that the strategy for SpaceX is even simpler:[10]

- Launch things into space
- Reduce the cost of space travel
- Colonize Mars

These simple strategies are useful because they're decision-making tools. When teams need to determine if they're working on the right problem, or solving a problem in the right way, they can refer to the original strategy. If it gets them closer to one of those objectives, they're on the right track. If not, they're not, and can quickly re-orient to the original goal.

Maybe your team doesn't have a dramatic goal like reaching Mars. Or maybe your team is feeling a little more like the German automakers, and a little less like Tesla. It's not too late, but it is decision time. Here are a few exercises that can help your team get back on track:

1. **Lead a Strategic Forecasting Meeting.** Make predictions about what might happen in your market, and consider how your team could adapt to changing conditions. German auto manufacturers assumed that no one would want an electric car that got less than 100 miles per charge, so they focused on hybrids, but Tesla's Model S gets 250 miles per charge. What assumptions – behavioral or technological – are getting in the way of your team's progress?
2. **Develop "Even Over Statements" to force choices.** A good strategy forces choices between two good outcomes. At Daimler's general meeting, Chairman Dieter Zetsche pointed out that Tesla has not made money, which Daimler's stockholders would consider unacceptable. Consciously or not, the company has chosen "profit" over "innovation." There's nothing inherently wrong with either choice, but each has a price.

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10. WaitButWhy.com

Clearly defining these tradeoffs ensures everyone is on the same page.

3. **Hold a prioritization meeting to select which projects to pursue.** Your team is full of smart people with great ideas, so you won't lack for great solutions. Unfortunately, your team will only have so much time and so many resources – for instance, German manufacturers focused on hybrids at the expense of electric cars, which they believed were a niche product. Force your team to vocalize their internal decision-making process to uncover potential stumbling blocks, then assign resources.
4. **Plan the handoff.** Even if your team does find a strategy as compelling as colonizing Mars, the rest of your organization may not have the ability to scale innovative ideas. Part of this is due to the "Innovator's Dilemma," in which a good long-term strategy is less profitable than, or even detrimental to, a company's current revenue. Make sure procedures and structures are in place to support a new strategy.

An "even over" statement highlights what tradeoffs your team is willing to make, such as "sustainability even over profitability" or "profit margin even over revenue growth." To create your own statements, draft a list of your team's values, and then think about the tradeoff for each.

Structures

When companies want to change, their first instinct is to turn to reorganization. While org charts have their place, they're better used as a reflection of how work gets done, not as a prescription for how work should occur.

Connecting the Dots: Team Structure and the Modern Org Chart

We've been thinking more about that 1855 Erie Railroad org chart. It communicates more than hierarchy—it also describes the physical structure of the railroad itself. But the typical org chart that you find yourself slotted into only describes reporting lines. We think it's time to return to org charts that also encode process or physical structures. Imagine your company's processes mapped to the roles/titles required at each step, and clearly articulating the decision makers at each stage.

This week on our Org Designer Slack channel, a conversation came up about how to best organize teams and depict organizational structure.[11] These questions have been around since at least 1855, when the New York and Erie Railroad attempted to capture the complicated nature of their business in the first "modern" org chart.[12]

Structure, along with methodology, is an essential aspect of teams, and has dramatic consequences on teams' behavior. We've identified the different types of structures teams can take:

- A **discipline-based structure** divides teams by job description, such as "Marketing" or "Engineering."

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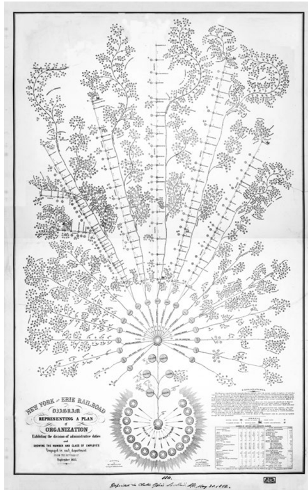
11. Email heart@NOBL.io to sign up
12. commons.wikimedia.org/wiki/File:Organizational_diagram_of_the_New_York_and_Erie_Railroad,_1855.jpg



NEW YORK AND ERIE RAILROAD ORGANIZATIONAL DIAGRAM

- A **process-based** or **horizontal structure** divides teams by job description, but sorts them in the order that steps are completed.
- A **divisional structure** organizes the company by product line, geography, or customer.
- A **matrix structure** is set up so teams report to two authorities, typically a discipline-based team and a secondary team, such as product.
- A **circular structure** positions the leadership at the center to reflect the idea that the organization's vision and goals should spread outward. Yet often, these teams eventually just behave as either a discipline-based structure or divisional structure.
- A **hybrid structure** is some kind of blend of the above structures; they can be combined and adjusted based on the company's needs.

While team structure is critical to the overall teaming model, it's not a panacea for issues you might be experiencing on your own team. All too often, executives shuffle teams around to feel like they're being proactive, but these changes result in little or no material return to the business. Be conscious about your team design, but don't get carried away. If you're thinking about revising your team or organizational structure, ask yourself these questions:

1. **What's the single most important attribute to win in our market for our consumer?** Is it cost efficiency, innovation, speed to market, product quality, experience quality,

breadth of services, or something else?

2. **What capabilities are most essential to realizing that strategy?** Do those capabilities exist in other categories that you can learn from?
3. **How can you use the structure of your organization or team to elevate that capability internally and reduce barriers in its way?** If you don't immediately know, pose the question to the people in your organization who most embody that capability.
4. **Lastly, when it comes to visualizing the team structure, ask yourself: what are you trying to accomplish with an org chart?** Organizations can be both a hierarchy and a network, so you may need one way to model reporting structure and another way to show process.

How Should You Restructure a Global Organization?

The famed organizational psychologist Frederick Herzberg says there are two sets of factors that affect job satisfaction: motivational and hygiene. Motivational factors such as recognition and challenging work, when present, increase satisfaction. Hygiene factors, on the other hand, are only relevant when missing. No one is passionate about their role because of the amazing job security, but you'll sure as hell miss it when it's gone. The more we advise clients on organizational structure, the more we find it to be a hygiene factor. When your structure is misaligned, there is surely pain. But it's never a tool for greatness.

Recently, someone asked us a simple question with no simple answers: "How should you restructure a global organization?"

First, we don't assume that structure is actually a useful lever for organizational effectiveness or responsiveness. If it were, re-orgs would be worth the effort. Yet when McKinsey studied 25 corporate re-orgs, they found that 80% failed to deliver the intended value and 60% noticeably reduced productivity.[13] Every year, there is some "miracle cure" org chart being bandied about, and every year, companies destroy their productivity chasing what turns out to be nothing but a rehashing of the classic matrix model (we're looking at you, Spotify Squads).

13. hbr.org/2016/11/getting-reorgs-right

Drawing a new box, inventing a new title, and adding another dotted line can feel like a fast, simple fix. When the world went digital, for instance, companies responded by creating IT as its own organizational vertical and hiring Chief Digital Officers to shoulder the responsibility for change. Instead of accelerating change, this silo-ing internally of a pervasive external force only slowed or blocked organizational change.

In our practice at NOBL, we don't outright ignore structure—it's crucial to make sure your structures are aligned with your strategies—but we don't lead with it. Talent (acquiring, developing, exiting) and methodology (how work is initiated, distributed, and completed) are far more significant levers for organizational effectiveness and responsiveness. If you see your company slowing or falling behind, these are the domains to obsess over. Find the teams already succeeding here in your organization and amplify their practices. Trial leading-edge ways of working from other firms. Measure, experiment, and repeat. When we embed with clients, this is the bulk of our work. And because companies usually haven't focused here, there are often immediate and profound wins to be had.

Second, we have found that the most effective way to knit a scaling organization together (and keep it together amidst change) is intense customer-centricity. We believe that you shouldn't have a team, department, or business unit without a stated customer or customers. Most often, those customers will be internal audiences (e.g., HR's customers are team leads). This requires a mindset shift, but it pays enormous dividends. We train teams to investigate what their customers need via user-centered research models (design thinking, jobs to be done, etc.) and we even measure teams with an internal Net Promoter Score (e.g., team leads score HR on how well their needs are met).

Third, and here's where it gets nerdy, the question of where work lives (by department, region, etc.) in an organization should be driven by three things:

1. The quality of talent you have
2. The level of complexity of the task
3. The amount of complexity created by geographic differences

The "level of complexity" requires some definition: "simple" work is defined as repetitive/routine tasks (e.g., customer support). "Complicated" work is less routine, but with enough time and expertise, a limited set of solutions are revealed (e.g., UX design). "Complex" work is defined by novelty, uncertainty, and ultimately, a solution set far too numerous to possibly vet one-by-one (e.g., market strategy). Simple work can be easily dispersed (geographically and horizontally) if you have information systems to distribute and refine best practices. Complicated work is often organized into structures like centers of excellence, but it's critical to ensure these structures are easy to interface with across the organization (and mostly, they aren't). People fulfilling complicated work must also have access to continuous learning and development. Complex work should be localized (e.g., developing a market strategy for China should be developed by teams in China) and completed by centralized teams, as teams with remote workers often struggle with complex work. Complex workers need systems that provide them with heaps of data and insights they can use in pattern recognition. All of this is academic noise, however, if your talent isn't capable of the work.

Most large companies are rushing to automate simple and complicated work. Financially, this makes sense, but it might not be strategically sound. For example, years ago Zappos proved that human customer service could be a strategic advantage in a crowded market.

Fourth, while the first three points encompass the core elements of global organizational design, you can still get it wrong if you ignore these basics:

- **Work hard to create a unified organizational culture with strongly shared values and a shared approach to work across all regions.** For instance, GE does many things in many places, but there's always a core GE-ness to it.
- **Invest in face-to-face meetings among leaders in different regions.** Humans still bond faster and develop deeper levels of trust in person.
- **Keep teams small and lean.** No more than 13 people on any given team.
- **Centralize information and obsess over how teams interface.** Human-to-human interfacing is just as critical in a modern organization as APIs.

Whew. Long answer, huh? In fact, it could be much, much longer given the unique challenges within any single organization. This answer isn't meant to be a one-size-fits-all solution, but it is meant to provoke further questions while exposing our own biases—and every partner has biases.

Systems

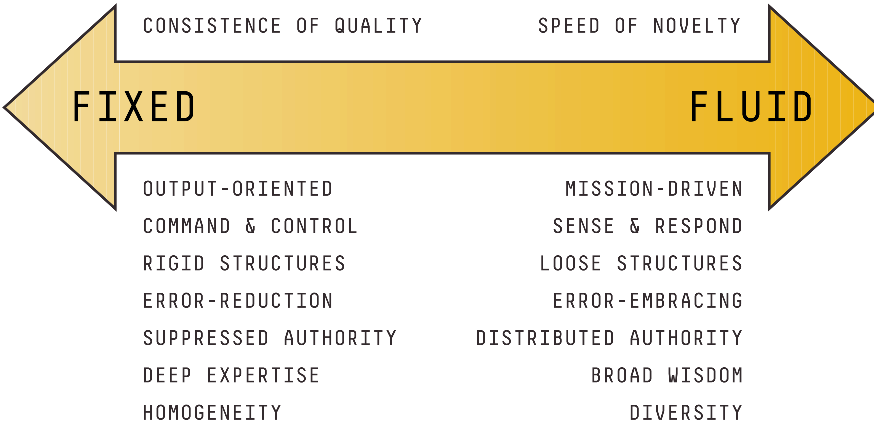
The way you approach work should be aligned with the nature of your work. If your market is dynamic, your organization should be relentless in exploration and change. If your market is maturing, you should be optimizing your proven bets while still keeping one eye on the horizon. This seems obvious, but very rarely do we sit with our teams or departments and align our approach to work with its true nature.

Fixed vs. Fluid Teams

Everybody's going somewhere. We've worked with legacy organizations that are working to become more fluid amidst a sea of start-up competitors. Start-ups that are tired of making it up on a daily basis and dream of the consistency and scale of a fixed model. And then companies that are simply trying to tune where they fall on the seven dimensions below. For a handy quiz to assess where your company falls on the spectrum, shoot me or Bud an email.

Every model for the future of work includes a fancy spectrum like ours to the right. Who doesn't love a good x-y axis, after all? Yet, most of the time these frameworks are … well, judgmental if not hypocritical. If you aren't "agile," does that make you slow and clumsy? If you aren't "responsive," does that make you unresponsive? If you aren't "organic," are you inorganic? If you aren't enlivened, well, you're likely dead. At the very least, you're not enjoying life.

Embedded in each of those descriptions is a judgement—the same kind of judgement that paints anything that came before as a dinosaur and anything that comes after as a revolution. Of course, that's the zeal of a consultant showing, not an actual understanding of diverse business environments or empathy for teams in those environments. That's fame seeking, not follow through. How a company or team behaves shouldn't be dictated solely by what's new or popular; it should be driven by the group's context (what's happening around it), its strategy (what needs to be done in response), and the profile of



CHARACTERISTICS OF FIXED AND FLUID TEAMS

its people (who needs to do it). Neither pole is better than the other, but one area is likely more appropriate given your context.

- **Fixed** teaming puts the consistent delivery of quality ahead of everything else. Fixed is appropriate when there are fewer unknowns in your market or area of practice, and when you can win by exploiting efficiencies of scale. You know you need a fixed approach when work is easily reproducible and yet still successful.
- **Fluid** teaming puts speed and novelty ahead of everything else. Fluid is appropriate when you're operating with mounting uncertainty. You know you need a fluid approach when the world belies your best predictions and the definition of success keeps changing.

You know you're using the wrong approach when work feels unnatural. If you're using a fixed approach to solve for fluid needs, work can feel like trying to watch House of Cards using an old-school modem. If you're using a fluid approach for a fixed need, work can feel like constantly reinventing the wheel.

Most organizations need both fixed and fluid teams. Amazon Studios follows a very fluid model of testing and learning from new original series, yet Amazon fulfillment centers are extremely fixed. Shipping is predictable, cultural and consumer trends not so much. Moreover, teams themselves often need to flex both muscles. Almost every team we work with has some percentage of work that demands a fixed approach and some percentage that demands a fluid approach. Yet, all too often, the same approach is applied to all work.

As you examine your work as a team to figure out which approach is best, consider these questions:

- **How much could we benefit from economies of scale?** Fluid approaches tend to struggle to scale.
- **How fast and how frequently must we innovate to stay competitive?** Fixed approaches are best at optimizing past work, not addressing future needs.
- **Do our people prefer top-down leadership or do they thrive with greater autonomy?** Obviously, fluid creates more autonomy, yet be honest about the pool of talent you have.
- **How much coordination across teams is required to fulfill this work?** Fixed teams tend to coordinate better because their processes and structures are more defined.
- **How valuable is local information and local decision making?** Meaning, how much could be gained if we gave more authority to people closer to customers to redefine the work of the team? Fluid approaches tend to empower local decision making (e.g., do anything to make the customer happy, and don't make them wait for you to go up and down the chain of command) and fixed approaches actually take away that decision-making ability (e.g., you might know people want smaller cars, but you don't have the training to take over the assembly line on a Tuesday to try to build one).

On a final note, all spectra (even ours) connote a false binary even when we use the term "spectrum" to define them. There is a wide swath of possibilities between both poles. Success isn't defined by following either one of these approaches perfectly, but in how well you've designed how you work for the work at hand.

Throw Out Your Rulebook (and Replace It with Checklists)

When coaching clients through change, we use a five-step process, with step four being "Codify." It's the part of the journey when we help teams capture their new ways of working in an artifact that, while mutable, has a bit of staying power. While there is something gratifying about creating a shiny, detailed manual, the best artifacts are the ones that favor pith over all else.

Useful beats thorough every time.

Anyone who's joined an existing team knows that it's challenging to find your groove: unspoken rules and team habits govern how the work gets done, and until you crack the code, you're bound to make a few missteps. While this reliance on implicit knowledge is frustrating for new team members, it can be downright dangerous to organizations – without established policies and procedures, it's all too easy for a critical step to be forgotten, leading to larger problems down the line.

We've seen a lot of teams try to overcompensate by documenting everything about their work, from how to run a meeting to how to store files. But all too often, this results in an intimidating document with a steep learning curve, which leads to everyone ignoring it. Or you'll see the opposite problem: due to rapid market changes, team members have to spend so much time updating the document that it becomes more of a hindrance than a help.

That's why instead of an all-inclusive rulebook, we suggest clients think in terms of checklists: compile the actions that are easiest to forget, but that will have the greatest impact. In the operating room, for instance, the simple step of introducing everyone in the surgical team led to a 35% reduction in complications and deaths.[14]

Your task as a leader is to identify, codify, and repeat those key actions within your own workplace. Of course, you may not be able to determine what's necessary and what's "nice to have" overnight; it will take testing and practice. To review how you get work done, hold a brainstorm and review:

- **What are our current policies and processes, both implicit and explicit?** Ask the team to conduct a mini-project retrospective in order to capture process and policies based on past work. Be sure to create a safe space for candid feedback.
- **What errors are we trying to solve for?** Remember that the goal isn't to perfectly document every step in the process, but to ensure that the most repeated and yet most impactful steps are documented. Create policies and processes just for these critical moments.
- **How are we sharing our policies and processes?** The most efficient policies in the world won't help you if everyone's not on the same page. Adopt a transparent system of record so that it's easy for anyone to get up to speed. This can look like a Google Doc, a Wiki, an employee handbook… whatever format works best for your team.

14. npr.org/templates/story/story.php?storyId=122226184

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