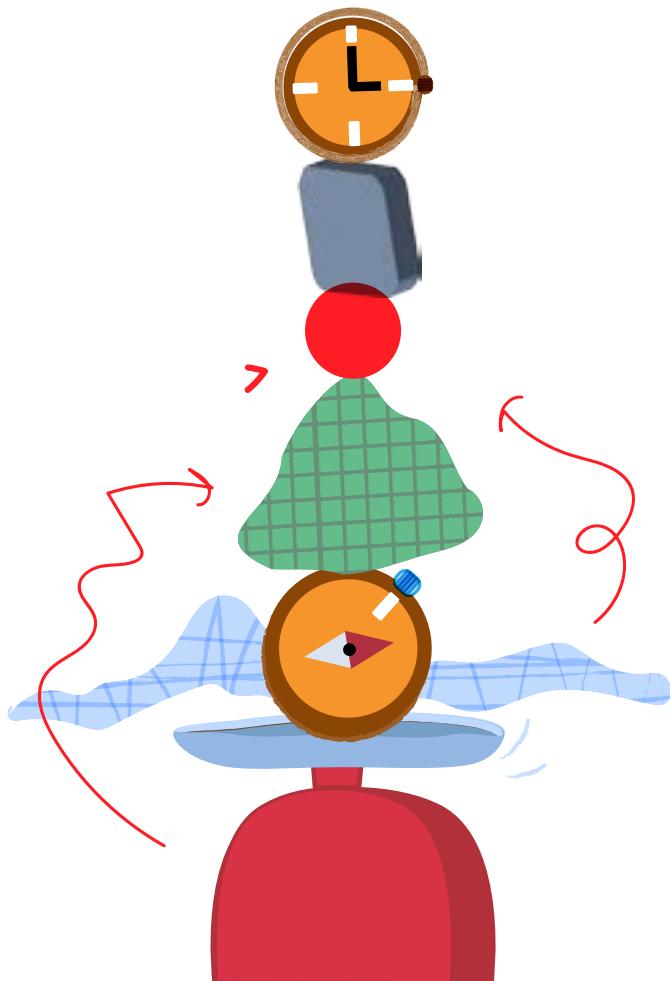


Building an agile organisation

Seven core components to enable self-organisation and a healthy workplace

Ysbrand van der Werf
Fons Groen



Summary

This article proposes that an agile organisation will be best positioned to identify and implement its own solutions to constantly evolving challenges in the internal and external environments.

This self-organising and agile approach will lead to improvements such as the reduction of employee absence and staff turnover, as well as an increase in profits and/or productivity.

The approach has seven core components which are all essential to achieve optimal agility in the workplace.

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Introduction, and about the authors

Why have we written this article? We are Ysbrand van der Werf and Fons Groen and we crossed paths by chance. We both have over 30 years of experience managing and observing profit and not-for-profit organisations. Ysbrand as a manager, president and major shareholder of IBAS IT & Consultancy bv, as well as a board member of several companies. Fons as a manager, CEO, management consultant, trainer and Semco Style specialist. During our conversations we realised that our ideas and experiences are complementary.

Ysbrand identified the imperative need to develop a new form of organisation in a world where shifting factors such as the market, politics, technology, ecology, religion and diversity affect all corporations at an ever-increasing rate, whether directly or indirectly. To survive, these organisations need to keep pace with these changing factors.

In addition, Ysbrand suffers from severe dyslexia. This means he cannot rely on memos or written reports, but must instead place his confidence in mutual trust, the spoken word and personal interaction with others. Because of this he has experimented since the mid 90s with new, dynamic organisational structures to enable these organisations to adapt automatically to shifting internal and external circumstances. He learnt that such dynamism is only possible if organisations are agile.

New developments and trends in the field of self-organisation, amongst other organisational concepts, also encouraged Fons to think about actual implementation of principles that are tailored to the present-day world and to a new generation of professionals. He witnessed corporations chasing hypes and imitating each other without considering the deeper consequences of organisational change. He saw an opportunity to add value.

We have a common conviction that employees and their management, individually and collectively, continuously need to adapt their organisation in order to be agile. They should take control of their own destiny, and not be dependent on external consultants. There is still a valid role for consultants to play, especially in an informative and guiding role when the

situation demands it, for example in cases of major change management.

This awareness has led us to develop an approach to enable corporations to become agile and self-organising, guided by seven core components, which must all be implemented to be fully effective. Although these core components resemble other recently published insights on organisational structure and guidance, they are unique in their simplicity and cohesion.

We outline our insights in this paper. The approach we propose was largely developed empirically, but it is underpinned by various theories, and it happens to work when put into practice. Deployment of our approach in the field led to radical improvements in business results, communication, work climate and collaboration, whilst staff turnover and employee absence decreased significantly.

I.

Trust

Trust is the critical foundation of an agile, self-organising workplace.

Our approach is consistent with our positive view of humanity: we believe that most people are well-intentioned, eager to contribute, want a job that is both fun and meaningful, and are equipped with a healthy form of self-interest.

We describe a particular form of trust that is hard to gain but easy to lose. It needs to be built up and maintained. It is all about getting to know each other sufficiently, to know where you stand with one another, and to show respect. This form of trust is a significant factor in the performance of any organisation. Trust is not something fixed, it is living and must be fed and continuously cultivated.

II.

The seven key components

In our approach we outline a set of seven components which we will briefly outline below. These components are mutually dependent; all of them, plus deep trust, are necessary in order to implement and sustain this innovative organisational model. This approach is applicable for all types of organisations (e.g. whether hierarchical or horizontal, a division structure or a small company, profit or not-for-profit). We found that in practice our approach, as a whole, was easily implemented and could lead to rapid success. It is essential, however, that everyone is on board, from the highest to the lowest within the organisation.

As mentioned previously, these core components resemble, to some extent, other current insights on organisational structure and guidance. Organisational perspectives such as the Semco Style and A Great Place to Work employ most of these insights as well. When implementing our approach in the field, we observed that many corporations had already taken some steps towards this way of working. However, what was missing nearly everywhere was the important first core component below (the early warning system), and the interconnectedness of the components as we describe them.

1. An early warning system

The early warning system requires that everyone within the organisation always expresses, and at an early stage, any shifting matters or circumstances that may be of importance.



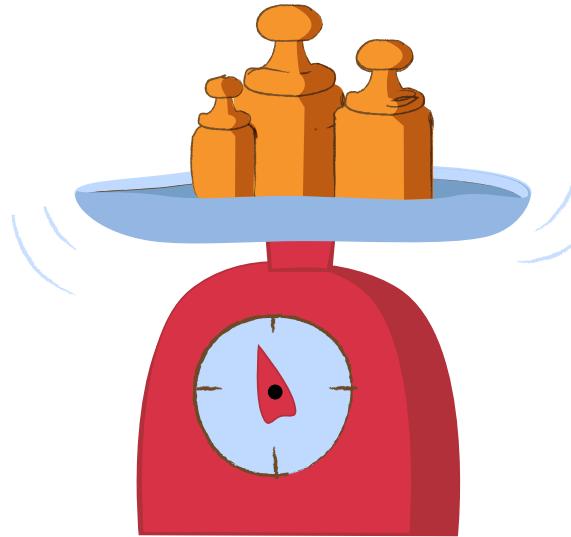
This is about identifying everything that is relevant, both within as well as outside the organisation. This is not the exclusive responsibility of management. Every employee is expected to contribute to this from their own perspective, whilst simultaneously acting in the interest of the company. Signals may include market shifts, organisational improvements, competitor activity, and other developments like new production techniques or software developments. They could also include indications that a project is failing or delayed, or that a certain team is not functioning properly. Notification at an early stage is vital. Additionally, everybody's input is to be taken seriously, every signal must always be investigated, and feedback given on the action that was taken.

Late reporting of warnings, for example regarding dissatisfied clients or a project running behind schedule, can be severely detrimental and costly to the organisation. If such cases are identified, clear constructive feedback should be provided to the individual, in a manner consistent with the severity of the situation, to encourage timely reporting of warnings in the future.

2. Clear responsibilities and an empowered organisation

Every employee and team within the organisation has a range of duties, responsibilities and authorities that will enable them to execute their tasks in a proper manner.

Many organisations delegate the responsibility to the most junior level in the corporate structure: the professional or expert. However, this delegation is often given without expressly granting the individual the empowerment they need to complete the task. Delegation is meaningless without empowerment. This holds true for every employee and every team. We observed this blind spot in many organisations with which we have been involved, and it occurs frequently both in profit and not-for-profit entities. We noticed in conversations with employees from various organisations that stress, discontent, and even burn-outs often originate from poor working conditions.



We often witnessed in the field the following arguments for ignoring the interdependence between tasks and responsibilities on the one hand, and granting authority and empowerment on the other:

1. The one who delegates responsibility to the receiver does not trust the receiver's ability to carry out the task.
2. The one who delegates responsibility to the receiver is unwilling to release authority because they want to stay in control.

These arguments are fundamentally flawed:

1. Trust is the foundation of all things. If it is unclear whether someone can handle a certain responsibility one should be transparent about it, and agree unequivocally how and when it will be possible for the delegation to be effective. Consider using on-the-job coaching or offering a training course, combined with the agreement that the individual will signal, at an early stage, if they start to feel overly stretched (which is, in itself, another early warning).
2. This is incontrovertible and immediately negates our seven core components. Release of control is necessary for proper delegation and is fundamental to effective application of the core components.

3. Full transparency

In every aspect, the organisation is fully transparent, whilst protecting the privacy* of the individual in accordance with applicable laws and regulations.



This point is particularly important in order to build an environment of commitment, responsibility and trust. This means that all information in the organisation should be visible, traceable and explainable, with only very few exceptions like proprietary secrets, manufacturing processes, marketing strategies under development, potential acquisitions, etc.

We tend to hear counter arguments regarding this proposal for full disclosure. Fraud, corporate vulnerability, competitive disadvantage, the list goes on! But what is wrong with transparency? In practice, it is transparency that will lead to employee trust and commitment. They will understand that they are crucial to the organisation's success.

() Note that the following are not considered to be private information: company-related matters, including remuneration, bonuses, lease agreements, etc.*

4. Speaking the truth

In the organisation, absolute honesty is the standard. Lying is never tolerated and will always have repercussions, including disciplinary action and even dismissal where necessary.

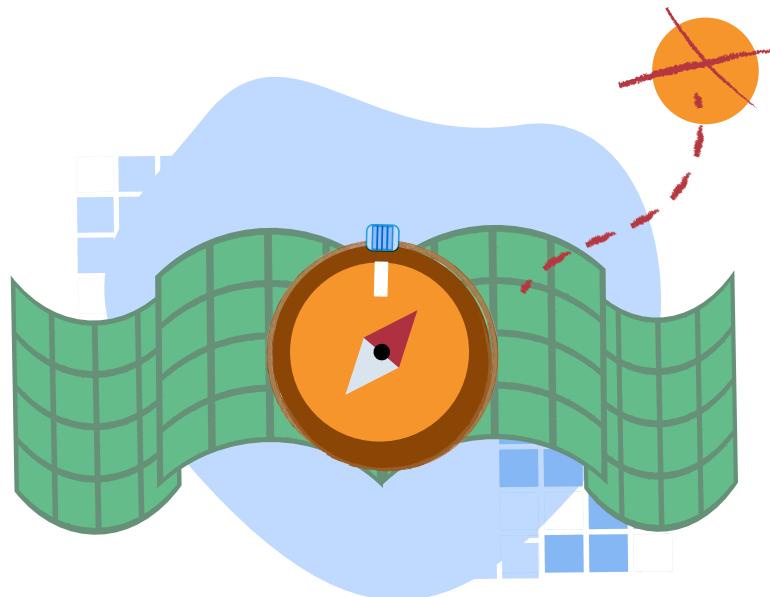


This rule regarding disciplinary action has proven to be an uncomfortable one, perhaps even sounding reckless. It therefore needs further clarification. Honesty is necessary for the early warning system to function, to be able to take on responsibility, and to maintain transparency. It goes without saying that private information should not be disclosed. Cultural differences should also be taken into account. Naturally, the first course of action should always be a good conversation with the individual. However, if that individual deliberately conceals or distorts something that will hurt the team or the organisation, then disciplinary action, even resulting in dismissal, is the only possible solution.

Furthermore, it does not matter whether actual damage was done, nor the severity of the misdemeanour. Whenever lies are detected, mutual trust has been fundamentally damaged, and trust is the foundation of everything. This cannot and must not be accepted. Not even once. This may sound harsh, but it is essential to maintain trust as the strong foundation that underpins all other components in our approach, and in the organisation.

5. Clear standards and meaningful values

Everyone in the organisation treats all stakeholders, whether internal or external (e.g. clients, suppliers etc.) with respect and honesty, and in a serious manner.



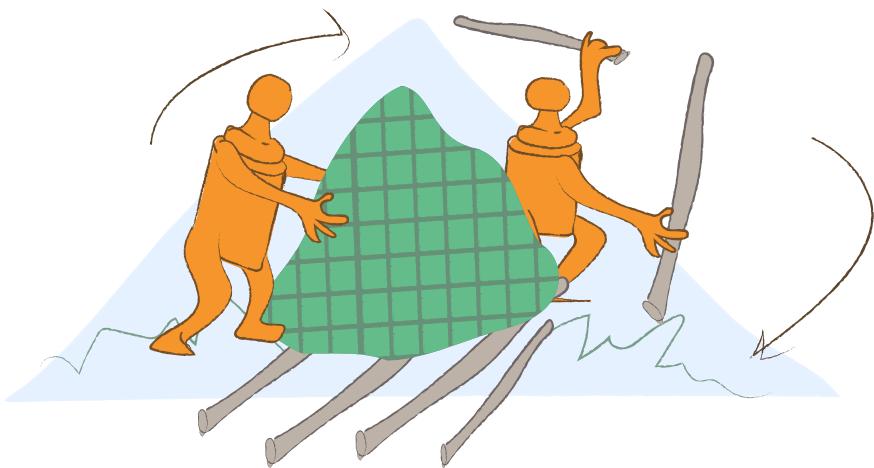
It is important to have a few key values and norms in place within the organisation that are actively used and that have meaning for all employees. Within our approach we have adopted the following norms and values as the foundation:

- Respect: Respect in the working environment and respect for yourself
- Honesty: Honesty within the environment and honest with yourself
- Take seriously: Treat all interactions with stakeholders in a serious manner and commit to complete any actions resulting from that interaction.

These norms and values provide direction for engaging with people within and outside the organisation (clients, suppliers, etc.). There may be specific considerations that need to be adopted, especially when dealing with stakeholders outside the organisation. Finding the right way to navigate these, will contribute towards building mutual trust. Have this conversation within your own organisation and keep it under constant review to adjust where necessary.

6. Employee engagement

Whilst client-centricity is important for the organisation, employees are critical for driving actions. The employees are the ones who need to make things happen.



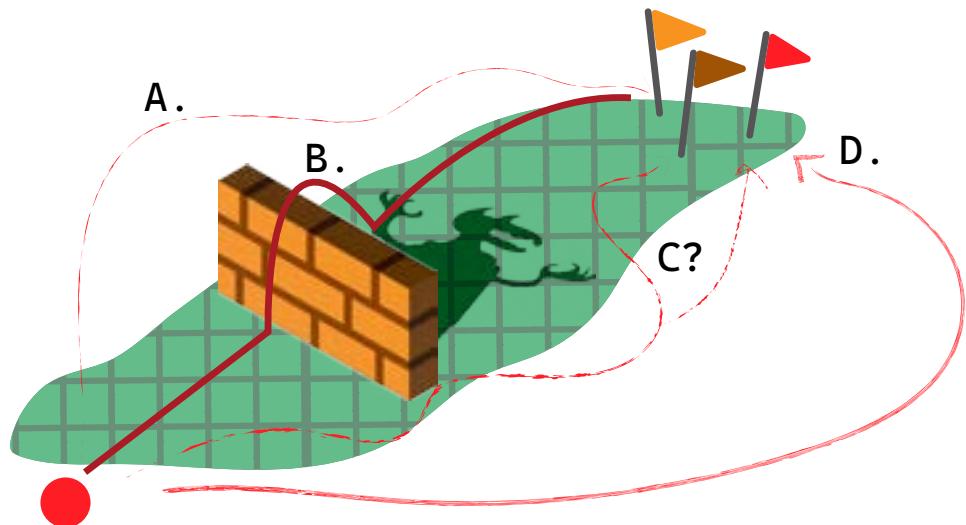
This too is a mindset we did not encounter so clearly in other organisational models. Many organisations struggle with the notion of whether it is the client or the employee who takes priority.

1. Business continuity is paramount;
2. Concern for individuals follows thereafter;
3. The balance between these two priorities needs to be carefully managed.

This prioritisation implies that even when the continuity of the organisation is not at risk, the organisation still has a duty of care towards the individual employee.

7. Flexible mission and goals

It is of utmost importance to continuously review whether the mission and goals of the organisation are fit-for-purpose and to adjust them immediately when required.



When circumstances are changing at a rapid pace, so too will the relevance of an organisation's mission and goals. For example:

- Are we still targeting the right market?
- Are we still manufacturing the correct product?
- Is the technology still available and relevant?

Here, signals from within the organisation - the early warning system - are paramount. Any strong indication that a change in mission or goal is required should be acted upon immediately, whilst other indications may be considered during a scheduled annual or biannual cycle. Pick the cycle that is relevant for your organisation, but do not fail to identify and act on these indicators.

Develop policies to recalibrate your mission and goals where necessary. It is also critical to convert goals into an action plan with clear deliverables and timings. Any deviation from the plan will then be an indication that it may be necessary to revisit the goals.

Strong leadership underpins this core component: choices and compromises will always be required, and the final decision remains the responsibility of the leadership team. A clear structure for hierarchy and leadership is a key part of our agile model.

III.

Further exploration and evidence

Below we offer further exploration and justification for the set of rules we described briefly in the previous sections.

Re: I. Trust

Trust is the critical foundation of an agile, self-organising workplace.

Here, an important similarity may be found within Patrick Lencioni's body of work, which he outlined so elegantly in "The Five Dysfunctions of a Team". In this book he describes trust as the base layer of the pyramid of effective teamwork. There is also an analogy with Ricardo Semler's framework, as trust is the first of the five principles of Semco Style.

Much has been written about trust from biological, social, and psychological points of view. To us it is important to distinguish between trust in its simplest form on the one hand, and then a further form of 'deep trust' on the other.

The simplest form of trust is necessary to be able to stand at a bus stop without mortal fear, i.e. that you are confident that the people around you do not have malicious intent.

The second form of trust is more complex and needs careful consideration. This is the form of trust that is hard to gain but easy to lose. It takes time and is put to the test in troubled times or with major challenges. Amongst other things, this is about getting to know others sufficiently, to know where you stand with someone, to respect each other's inputs, strengths and weaknesses. This is called deep trust.

This deep form of trust is a significant factor in the performance of truly mature teams and organisations, and establishing this takes time and care. Even a mature team in which deep trust has been built still needs continuous maintenance and nourishment to keep the trust healthy.

Re: II. The seven core components of the agile organisation

Re: core component 1. An early warning system

The early warning system requires that everyone within the organisation always expresses, and at an early stage, any shifting matters or circumstances that may be of importance.

An analogy for this component can be found within Stafford Beer's "Viable Systems Theory". This organisational thinker has developed core components of cybernetics that, in their simplest form, are regulated circuits that perform in a similar way as heating thermostats. The faster the feedback from a system can be processed, the better and more accurate any adjustments can be made.

We can learn from the example of Netflix that embracing failure can contribute significantly to future success. This company considers trust to be fundamental and has adopted a fast-paced feedback loop. Employees are actively encouraged to share early warning signs (for example, a failing or delayed project, or a dissatisfied client). Such feedback is embraced, not scorned. An organisation must be able to control its ego and act in the longer-term interest. This example highlights why trust is a key foundation; without it, the safety for employees to act in the organisation's best interest would be absent.

Re: core component 2. Clear responsibilities and an empowered organisation

Every employee and team within the organisation has a range of duties, responsibilities and authorities that will enable them to execute their tasks in a proper manner.

An interesting notion in this component is derived from "Eckhart's Notes", an important work by the former CEO of BSO, Eckhart

Wintzen, whose demise was sadly premature. To be able to be responsible, and to be close enough to customers and colleagues, one cannot be too big. That is why he demanded as a strict requirement that corporate units needed to be split up into two segments once they reached a certain size. It is our experience that responsibilities and empowerment thrive with clarity and within a manageable sized organisation. Once a division gets too big, this clarity will be lost, and the repercussions can be significant.

A fine example of granting every employee the capacity to set rules and regulations can be found in Fred Lee's book "If Disney Ran Your Hospital". Lee demonstrates how a guiding mission and clear vision, together with corresponding and meaningful values, form an important framework for enhanced employee performance. We will elaborate on this further in core component five.

We would like to reiterate the importance of maturity within the organisation: adults should be treated as adults, even within hierarchical structures. Eric Berne's "Transactional Analysis" (TA) demonstrated that maturity is important for healthy working relationships and for the willing acceptance of tasks and responsibilities.

Once tasks and responsibilities have been clearly defined, important boundaries should also be set. Within the Semco Style this is called the process of Defining Boundaries For Action. It is this process that ensures that a swimming pool being constructed with responsibilities and empowerment also has reachable sides, i.e. even a well-trained swimmer will drown in an endless swimming pool. The four sides of the Semco Style swimming pool are formed by making clear agreements about Results, Regulations (including authorisations and, importantly, decision-making ground-rules), Quality and Conduct.

Re: core component 3. Full transparency

In every aspect, the organisation is fully transparent, whilst protecting the privacy of the individual in accordance with applicable laws and regulations.

Our term 'transparency' occurs in other organisational models as well. Semco Style calls this 'unfiltered transparency'. In a Semco corporation all employees are trained to autonomously interpret all visible information. Furthermore, any employee who would like to attend a board meeting is always welcome. Only extremely sensitive information like patents, recipes etc, are exempt from this transparency. There is transparency about

salaries and teams actively discuss the importance of contributing to the organisation as well as receiving benefits/support.

An example of transparency being taken even further is KeyToe in Maassluis, the subject of the book “99 Problems But The Boss Ain’t One” by Lennard Toma. At KeyToe not only the employees, but even the clients can see the company’s current bank balance, how many outstanding invoices there are, and how many projects are in the pipeline. A real-time view of the company’s status. Experience has shown that this enhances the commitment of employees as well as the clients.

In Ysbrand’s practice a situation occurred where the corporation ran into a rough patch. All employees were informed and updated, and it was also decided to share the information with clients rather than conceal it from them. As the clients respected and appreciated the company, they actively began to propose ideas and solutions to help improve the situation. Semco Style calls this the Principle of Extreme Stakeholder Alignment: the continual review and action from the outside in, as well as from the inside out.

There are examples that take this transparency a step further, namely where teams determine bonuses or set wages based on business results and the perceived contribution of individual employees. Not only are the achievement of sales targets considered, but even those generous individuals who always get the coffee round could be rewarded for their contribution to the team. This example always attracted a lot of interest during Semco Style training sessions that Fons ran for consultants in Japan. The same example always raises a lot of interest in the Netherlands as well. Our advice is to identify the solution that would work best for any given organisation – one size does not fit all!

Re: core component 4. Speaking the truth

In the organisation, absolute honesty is the standard. Lying is never tolerated and will always have repercussions, including disciplinary action and even dismissal where necessary.

Our proposal of employee dismissal as the ultimate consequence for dishonesty could be seen as leading to a paradox:

namely that the fear of the consequence could in fact have a detrimental effect on trust and transparency. This is certainly not our intention. What we strive for is clarity and transparency. In Semco Style the idea of 'skin in the game' is an important one: to take personal ownership. Not partially or only when it is convenient, but completely and always. This is the objective of this core component.

Consequently, behaviour that poses a threat to trust, such as lying or dishonesty, can never be accepted or tolerated. In the long term, failure to speak the truth will always be more detrimental and costly to the organisation than strong disciplinary action and even dismissal. Dismissal does not always have to be conducted in an unsavoury or harsh manner. There should be a good discussion about the root cause(s) that led to the dishonest action. This feedback and insight will be invaluable for driving continuous improvement in the organisation. It is always best to aim for a peaceful parting of ways, even in difficult circumstances. Be aware though that extreme defensiveness on either part can threaten this peaceful and mutual outcome.

Incidentally, we always encourage creative solutions, such as that in King Solomon's Judgment. Fons encountered a similar example that occurred in a large hairdresser business. The manager found out that one of the employees had been stealing cash from the till. When this was discovered, the team unanimously decided that the individual concerned could keep their job on the condition that they would accept professional help and that they would never be left alone in the salon during an agreed probationary period. This decision led to a successful outcome in this case.

Re: core component 5. Clear standards and meaningful values

Everyone in the organisation treats all stakeholders, whether internal or external (e.g. clients, suppliers etc.) with respect and honesty, and in a serious manner.

Core values of a corporation can have different meanings to different employees. Therefore it is important to clearly explain and discuss values with employees, providing useful examples and substantiation as required. A care organisation we supported had core values of 'the client comes first', and 'we respect others, and expect the same in return'. Given these values, teams would prioritise their clients over internal meetings,

and management would offer up their private parking spaces located next to the front door. A respectful approach was extended to clients as well as to internal stakeholders. This respect manifested itself differently for employees who provide physical care than for employees offering assistance by phone. This way of thinking is also described in Fred Lee's book "If Disney Ran Your Hospital".

Consistency is also important. In line with the Principle of Extreme Stakeholder Alignment, extend your own values to your customers and suppliers. Allard Droste, author of "Semco in de Polder", provides us with some great examples of this. For instance, he advocates making long-term agreements with suppliers. Not to get the best deal, but to establish a stable and trustworthy supply chain and to build strong partnerships. This demonstrates how strong norms, values and long-term thinking, when extended to external stakeholders, can truly benefit all parties over a sustained period.

Re: core component 6. Employee engagement

Whilst client-centricity is important for the organisation, employees are critical for driving actions. The employees are the ones who need to make things happen.

A duty of care to employees does not prevent disciplinary action or dismissal, however the starting position is that the organisation and its employees are 'in this together'. As outlined previously, when the continuity of the corporation is at stake, the organisation comes first, however there is room for creativity. At Semco, employees opted for a collective drop in salaries to avoid the need for selective redundancies. This is a prime example of trust and commitment.

Three important concepts in the Semco Style are Democracy, Common Sense, and Enlightened Self-interest. The Principle of Self-management develops this concept further, with its basis in the Power of Equals, Skin in the Game (see above) and Talent Development. The Principle of Extreme Stakeholder Alignment (thinking from the outside in, philosophising based on shared interests and Consistency) also ties in with this component of our way of thinking.

An example from Ysbrand's practice: a consultancy firm was in dire straits, with tough market conditions leading to high anxiety levels amongst employees. The firm decided to adopt the seven core components, and abandoned the classification of advisors into tiers. Instead, every advisor, whether in the high or low tier, received the same salary each month. Any advisor exceeding their turnover target would receive an additional bonus. However, any advisor failing to achieve their turnover target for six months would be dismissed. All the advisors signed up to these terms. The result was that the firm not only weathered the storm, but was the sole survivor in the market, the company grew and its performance improved considerably. Importantly, as everyone was 'in it together', there was a strong environment of co-operation amongst the employees.

Re: core component 7. Flexible mission and goals

It is of utmost importance to continuously review whether the mission and goals of the organisation are fit-for-purpose and to adjust them immediately when required.

The infamous Kodak case is an ironic example of a company leaving it far too late to revisit and amend its mission and goals. Kodak created digital photography, but rather than embrace this powerful new technology, they continued with a blind focus on producing physical rolls of film because of the unwavering belief that 'this is what we do'.

A more positive example is DSM – a company that has reinvented itself many times over the years. Their case is underpinned by the Theory of Organisational Ecology, whereby self-adapting systems reduce vulnerability and drive prosperity.

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