

ISSUE 80 AUTUMN 2015

# The Future of Management Is Teal

Organizations are moving forward along an evolutionary spectrum, toward self-management, wholeness, and a deeper sense of purpose.

BY FREDERIC LALOUX



Wholeness

Purpose

Trust

Soulful

# The Future of Management Is Teal

*Organizations are moving forward along an evolutionary spectrum, toward self-management, wholeness, and a deeper sense of purpose.*

*by Frederic Laloux*

**Many people sense** that the way organizations are run today has been stretched to its limits. In survey after survey, businesspeople make it clear that they see companies as places of dread and drudgery, not passion or purpose. Organizational disillusionment afflicts government agencies, nonprofits, schools, and hospitals just as much. Further, it applies not only to the powerless at the bottom of the hierarchy. Behind a facade of success, many top leaders are tired of the power games and infighting; despite their desperately overloaded schedules, they feel a vague sense of emptiness. All of us yearn for better ways to work together — for more soulful workplaces where our talents are nurtured and our deepest aspirations are honored.

**Frederic Laloux**

[www.reinventingorganizations.com](http://www.reinventingorganizations.com)

is the author of *Reinventing Organizations: A Guide to Creating Organizations Inspired by the Next Stage of Human Consciousness* (Nelson Parker, 2014). A former associate partner with McKinsey & Company, he is now an independent scholar and advisor to organizational leaders.

This article is adapted with permission from *Reinventing Organizations*. The evolution of organizations described here, and the use of colors to describe the stages, draws on the work of several thinkers, including Don Beck, Clare Graves, Robert Kegan, Jane Loevinger, Jenny Wade, and Ken Wilber.

The premise of this article is that humanity is at a threshold; a new form of organization is emerging into public view. Anthropological research suggests that this is a natural next step in a process that began more than 100,000 years ago. There have been, according to this view, at least five distinct organizational paradigms in human history. Could the current organizational disillusionment be a sign that civilization is outgrowing the current model and getting ready for the next?

A number of pioneering organizations in a wide variety of sectors — profit and nonprofit — are already operating with significantly new structures and management practices. They tend to be successful and purposeful, showing the promise of this emerging organizational model. They show how we can deal with the complexity of our times in wholly new ways, and how work can become a place of personal fulfillment and growth. And they make most of today's organizations look painfully outdated.

**A History of Organizational Paradigms**

In describing the pattern of organizational evolution, I draw on the work of a number of thinkers in a field known as developmental theory. One of its basic concepts is the idea that human societies, like individuals, don't grow in linear fashion, but in stages of increasing maturity, consciousness, and complexity. Various scholars have assigned different names to these stages; some have used colors to identify them. For this article, I have borrowed a color scheme developed by Ken Wilber that evokes the light spectrum, from infrared to ultraviolet. It provides a convenient way to name the successive stages of management evolution (*see Exhibit 1*).






Around 10,000 years ago, humanity started orga-

nizing itself in chiefdoms and proto-empires. With this shift away from small tribes, the meaningful *division of labor* came into being — a breakthrough invention for its time. With it came the first real organizations, in the form of small conquering armies. These organizations, which in integral theory are labeled Red, are crude, often violent groups. People at this stage of development tend to regard the world as a tough place where only the powerful (or those they protect) get their needs met. This was the origin of *command authority*. The chief, like the alpha male in a wolf pack, needs to constantly inspire fear to keep underlings in line, and often relies on family members in hopes that they can be trusted. Today's street gangs, terrorist groups, and crime syndicates are often organized along these lines.

Starting around 4000 BC in Mesopotamia, humanity entered the Amber age of agriculture, state bureaucracies, and organized religion. Psychologically, this leap was enormous: People learned to exercise self-discipline and self-control, internalizing the strong group norms of all agricultural societies. Do what's right and you will be rewarded, in this life or the next. Do or say the wrong things, and you will be excommunicated from the group.

All agrarian societies are divided into clearly delineated castes. They thrive on order, control, and hierarchy. In organizations, the same principles characterize the Amber stage. The fluid, scheming wolf pack-like Red organizations give way to static, stratified pyramids. The Catholic Church is an archetypal Amber organization, complete with a static organization chart linking all levels of activity in lines and boxes, from the pope at the top to the cardinals below and down to the archbishops, bishops, and priests. Historically, the

**Exhibit 1: Evolutionary Breakthroughs in Human Collaboration**

Color	Description	Guiding Metaphor	Key Breakthroughs	Current Examples
<b>RED</b>				
	Constant exercise of power by chief to keep foot soldiers in line. Highly reactive, short-term focus. Thrives in chaotic environments.	Wolf pack	<ul style="list-style-type: none"> <li>• Division of labor</li> <li>• Command authority</li> </ul>	<ul style="list-style-type: none"> <li>• Organized crime</li> <li>• Street gangs</li> <li>• Tribal militias</li> </ul>
<b>AMBER</b>				
	Highly formal roles within a hierarchical pyramid. Top-down command and control. Future is repetition of the past.	Army	<ul style="list-style-type: none"> <li>• Formal roles (stable and scalable hierarchies)</li> <li>• Stable, replicable processes (long-term perspectives)</li> </ul>	<ul style="list-style-type: none"> <li>• Catholic Church</li> <li>• Military</li> <li>• Most government organizations (public school systems, police departments)</li> </ul>
<b>ORANGE</b>				
	Goal is to beat competition; achieve profit and growth. Management by objectives (command and control over what, freedom over how).	Machine	<ul style="list-style-type: none"> <li>• Innovation</li> <li>• Accountability</li> <li>• Meritocracy</li> </ul>	<ul style="list-style-type: none"> <li>• Multinational companies</li> <li>• Investment banks</li> <li>• Charter schools</li> </ul>
<b>GREEN</b>				
	Focus on culture and empowerment to boost employee motivation. Stakeholders replace shareholders as primary purpose.	Family	<ul style="list-style-type: none"> <li>• Empowerment</li> <li>• Egalitarian management</li> <li>• Stakeholder model</li> </ul>	Businesses known for idealistic practices (Ben & Jerry's, Southwest Airlines, Starbucks, Zappos)
<b>TEAL</b>				
	Self-management replaces hierarchical pyramid. Organizations are seen as living entities, oriented toward realizing their potential.	Living organism	<ul style="list-style-type: none"> <li>• Self-management</li> <li>• Wholeness</li> <li>• Evolutionary purpose</li> </ul>	A few pioneering organizations (see "Examples of Teal Management," page 8)

# The transition to Orange brought a new prevailing metaphor. A good organization is not a wolf pack or army, but a machine.

invention of *formal roles and hierarchies* was a major breakthrough. It allowed organizations to scale beyond anything Red society could have contemplated. Amber organizations produced the pyramids, irrigation systems, cathedrals, the Great Wall of China, and other structures and feats that were previously unthinkable. They also considerably reduced violence; a priest whose role is defined by a box in an organization chart doesn't scheme to backstab a bishop who shows a sign of weakness. A second breakthrough was the invention of *stable, replicable processes*, such as the yearly cycle of planting, growing, and harvest in agriculture.

Today, this hierarchical and process-driven model is visible in large bureaucratic enterprises, many government agencies, and most education and military organizations. In Amber organizations, thinking and execution are strictly separated. People at the bottom must be instructed through command and control. In today's fast-changing, knowledge-based economy, this static, top-down conception of management has proven to be inefficient; it wastes the talent, creativity, and energy of most people in these organizations.

Starting with the Renaissance, and gaining steam with the Enlightenment and the early Industrial Revolution, a new management concept emerged that challenged its agrarian predecessor. In the Orange paradigm, the world is no longer governed by absolute, God-given rules; it is a complex mechanism that can be understood and exploited through scientific and empirical investigation. Effectiveness replaces morality as the yardstick for decision making: The best decision is the one that begets the highest reward. The goal in an Orange organization is to get ahead, to succeed in socially acceptable ways, and to best play the cards one is dealt.

This is arguably the predominant perspective of leaders in business and politics today.

The leap to Orange coincided with three significant management breakthroughs that gave us the modern corporation. First was the concept of *innovation*, which brought with it new departments such as R&D, product management, and marketing, as well as project teams and cross-functional initiatives. Second was *accountability*, which provided leaders with an alternative to commanding people: Give people targets to reach, using freedom and rewards to motivate them. This breakthrough, sometimes called management by objectives, led to the creation of modern HR practices, budgets, KPIs, yearly evaluations, bonus systems, and stock options. Third was *meritocracy*, the idea that anyone could rise to any position based on his or her qualifications and skills — a radical concept when it appeared.

The transition to Orange brought a new prevailing metaphor. A good organization is not a wolf pack or army, but a machine. Corporate leaders adopted engineering terms to describe their work: They designed the company, using inputs and outputs, information flows, and bottlenecks; they downsized the staff and reengineered their companies. Most large, mainstream, publicly listed companies operate with Orange management practices.

In just two and a half centuries, these breakthroughs have generated unprecedented levels of prosperity, added decades to human life expectancy, and dramatically reduced famine and plague in the industrialized world. But as the Orange paradigm grew dominant, it also encouraged short-term thinking, corporate greed, overconsumption, and the reckless exploitation of the planet's resources and ecosystems. Increasingly,

whether we are powerful leaders or low-ranking employees, we feel that this paradigm isn't sustainable. The heartless and soulless rat race of Orange organizations has us yearning for more.

Postmodernity brought us another world view. The Green stage stresses cooperation over competition and strives for equality, solidarity, and tolerance. Historically, this perspective inspired the fights for the abolition of slavery and for gender equality, and today it helps combat racism, homophobia, and other forms of discrimination. Green organizations, which include many nonprofits as well as companies such as Southwest Airlines, Starbucks, and the Container Store, consider social responsibility the core of their mission. They serve not just shareholders but all stakeholders, knowing that this often results in higher costs in the short term, but better returns in the end.

Green leaders have championed the soft aspects of business — investing in organizational culture and values, coaching, mentoring, and teamwork — over the hard aspects of strategy and budgeting so prized in Orange. Family is their metaphor; everyone's voice should be heard and respected. You can't treat knowledge workers like cogs in a machine. *Empowerment and egalitarian management* are among the breakthroughs they introduced.

Practice shows, alas, that empowerment and egalitarian management are hard to sustain. Efforts to make everyone equal often lead to hidden power struggles, dominant actors who co-opt the system, and organizational gridlock. Green companies, universities, and organizations that take egalitarianism too far have tended to bog down in debate and factionalism. Successful Green companies maintain a careful balance: taming

the traditional hierarchy through constant investment in training and culture, reminding leaders and managers to wield their power carefully, and raising the skills of people on the front lines.

All of these organizational paradigms coexist today. In any major city one can find Red organizations (entities at the fringes of the law), Amber organizations (public schools and other government entities), Orange organizations (Wall Street and Main Street companies), and Green organizations (values-driven businesses and many nonprofits). Look closely at how an organization operates — its structure, leadership style, or any core management process — and you can quickly guess the dominant paradigm. Take compensation, for example: How are people rewarded? In a Red company, the boss shares the spoils as he or she pleases, buying allegiance through reward and punishment. In Amber organizations, salaries are tightly linked to a person's level in the hierarchy ("same rank, same pay") and there are no incentives or bonuses. Orange companies offer individual incentives to reward star performers, and Green companies generally award team bonuses to encourage cooperation.

Today, in small but increasing numbers, leaders are growing into the next stage of consciousness, beyond Green. They are mindful, taming the needs and impulses of their ego. They are suspicious of their own desires — to control their environment, to be successful, to look good, or even to accomplish good works. Rejecting fear, they listen to the wisdom of other, deeper parts of themselves. They develop an ethic of mutual trust and assumed abundance. They ground their decision making in an inner measure of integrity. They are ready for the next organizational paradigm. Its color is Teal.

# Buurtzorg's purpose is not for nurses to give shots and change bandages, but to help its patients live a rich and autonomous life.

## The Nature of Teal

In 2012, I set out to find some examples of Teal organizations and describe the factors that set them apart. To qualify, an organization had to employ a minimum of 100 people and had to have been operating for a minimum of five years in ways that were consistent with the characteristics of a Teal stage of development.

After screening a great number of organizations, I focused on 12, selecting those that were most advanced in reinventing management structures and practices. (See “Examples of Teal Management,” where 10 are listed; the other two, AES and BSO/Origin, reverted back to more traditional management practices after a change of CEO or ownership.) I was struck by the diversity of these organizations. They include publicly held and privately held for-profit corporations along with nonprofits in the consumer products, industrial, healthcare, retail, and education industries. Typically, the leaders of these companies didn't know about one another. They often thought they were the only ones to be so foolhardy as to rethink their management practices in fundamental ways. Yet, after much trial and error, they came up with strikingly similar approaches to management. It seems that a coherent new organizational model is emerging.

Like previous leaps to new stages of management, the new model comes with a number of important breakthroughs:

- **Self-management.** Teal organizations operate effectively, even at a large scale, with a system based on peer relationships. They set up structures and practices in which people have high autonomy in their domain, and are accountable for coordinating with others. Power and control are deeply embedded throughout the or-

ganizations, no longer tied to the specific positions of a few top leaders.

- **Wholeness.** Whereas Orange and Green organizations encourage people to show only their narrow “professional” selves, Teal organizations invite people to reclaim their inner wholeness. They create an environment wherein people feel free to fully express themselves, bringing unprecedented levels of energy, passion, and creativity to work.

- **Evolutionary purpose.** Teal organizations base their strategies on what they sense the world is asking from them. Agile practices that sense and respond replace the machinery of plans, budgets, targets, and incentives. Paradoxically, by focusing less on the bottom line and shareholder value, they generate financial results that outpace those of competitors.

## Changing Paradigms at Buurtzorg

Buurtzorg, a large Dutch nursing care provider, is a good example of an organization running with Teal management structures and practices. Since the 19th century, every neighborhood in the Netherlands has had a local nurse who makes home visits to care for the sick and the elderly. These nurses worked through largely autonomous agencies until the early 1990s. Then, to maximize efficiency and reduce costs, the government created incentives for these local care-giving agencies to merge into larger enterprises.

The new agencies, most of which were private companies, gravitated toward an Orange paradigm. Seeking to minimize downtime and allocate staff flexibly, they set up centralized call centers; instead of calling their nurse personally, clients now had to dial the center. Planners were hired to devise daily visiting schedules



# Examples of Teal Management

**Buurtzorg:** a Netherlands-based healthcare nonprofit, profiled in this article.

**ESBZ:** a publicly financed school in Berlin, covering grades seven to 12, which has attracted international attention for its innovative curriculum and organizational model.

**FAVI:** a brass foundry in France, which produces (among other things) gearbox forks for the automotive industry, and has about 500 employees.

**Heiligenfeld:** a 600-employee mental health hospital system, based in central Germany, which applies a holistic approach to patient care.

**Morning Star:** a U.S.-based tomato processing company with 400 to 2,400 employees (depending on the season) and a 30 to 40 percent share of the North American market. (If you have eaten pizza or spaghetti sauce in the U.S., you have probably tasted a Morning Star product.)

**Patagonia:** a US\$540 million manufacturer of climbing gear and outdoor apparel; based in California and employing 1,300 people, it is dedicated to being a positive influence on the natural environment.

**Resources for Human Development (RHD):** a 4,000-employee nonprofit social services agency operating in 14 states in the U.S., providing services related to addiction recovery, homelessness, and mental disabilities.

**Sounds True:** a publisher of multimedia offerings related to spirituality and personal development, with 90 employees in the United States.

**Sun Hydraulics:** a maker of hydraulic cartridge valves and manifolds, with factories in the U.S., the U.K., Germany, and Korea employing about 900 people.

**Holacracy:** a management system first developed at the Philadelphia-based software company **Ternary**, which has been adopted by a few hundred profit and not-for-profit organizations around the world, most famously by Zappos.

**Source:** Frederic Laloux, *Reinventing Organizations* (Nelson Parker, 2014)

that minimized travel times. The agencies instituted time standards: 10 minutes for intravenous injections, 15 minutes for bathing, and 2.5 minutes for changing a compression stocking. Barcode stickers, placed on patients' front doors, tracked the nurses' progress so central managers could analyze their efficiency. As the nursing organizations consolidated, they added more layers of management, all with the intention of increasing efficiencies and squeezing out costs.

The outcome has been distressing to patients and nurses alike. Clients, who are often elderly, have to cope with new faces in their home at every visit. They must repeat their medical histories to hurried nurses who have no time allotted for listening. The nurses, for their part, find these working conditions degrading. They know they should spend more time trying to understand the changing conditions of their patients, but they simply can't. The whole system is prone to errors, conflicts, and complaints.

Buurtzorg (the name means *neighborhood care* in Dutch) was founded in 2006 by Jos de Blok, who had experienced these problems firsthand, as a nurse for 10 years and then as a manager. His new organization is

extraordinarily successful, having grown from four to 9,000 nurses in its first eight years and achieving outstanding levels of care. He set up the company as a self-managing enterprise. Nurses work in teams of 10 to 12, each team serving around 50 patients in a small, well-defined neighborhood.

Buurtzorg has a distinctive outlook on the nature of care. Its purpose is not for nurses to give shots and change bandages as efficiently as they can, but to help patients live, as much as possible, a rich and autonomous life. Nurses regularly sit down for coffee with their patients. They help them structure their own support networks and reach out to families and neighbors. Patients see the same one or two nurses all the time, and often form deep bonds of trust and intimacy with them.

Clients and nurses love Buurtzorg. Only eight years after its founding, its market share had reached 60 percent. Financially, the results are stellar, too. One 2009 study found that Buurtzorg requires, on average, only 40 percent of the care hours needed by a more conventional approach, because patients become self-sufficient much faster. Emergency hospital admissions have been cut by a third, and the average hospital stay of a Buurtz-

# At Patagonia, children's laughter and chatter are regularly heard; at Sounds True, people bring their dogs to work.

org patient is shorter. It's estimated that the Dutch social security system would save \$2 billion per year if the entire home-care industry adopted Buurtzorg's operations model.

## Self-Management and Its Misconceptions

Buurtzorg's 9,000 employees operate entirely with self-managing practices. Local teams of 10 to 12 nurses decide which patients to serve, how to allocate tasks, where to rent offices, how to integrate with the local communities, which doctors and pharmacies to work with, and how to collaborate with nearby hospitals. The teams monitor their own performance and take corrective action if productivity drops. They don't have team leaders; management tasks are spread across the members, all of whom are nurses.

One common misconception about self-management is that everyone is equal and decisions are made by consensus, which requires endless meetings. The truth is very different. Self-management requires a whole set of interlocking structures and practices, so that decision rights and power flow to any individual who has the expertise, interest, or willingness to step in to oversee a situation. Fluid, natural hierarchies replace the fixed power hierarchies of the pyramid. This requires explicit training. At Buurtzorg, all new team members take a course called Solution-Driven Methods of Interaction, learning sophisticated listening and communication skills, techniques for running meetings and making decisions, and methods of coaching one another and providing perspective.

You might assume that all this is managed through staff functions — the source of capability and power in many Orange and Green organizations. But Buurtzorg's

9,000 nurses are supported by fewer than 50 staff people. The nurses do their own recruiting and purchasing, contracting for specialized medical or legal expertise when needed. They align with the larger organization not through rules and procedures, but through the collaboration methods they learned. A powerful internal social network allows them to draw on guidance and medical expertise from fellow nurses in other parts of the country, many of whom they've never met.

## The Embrace of Wholeness

In Amber, Orange, and Green organizations, people typically show up wearing a mask: The bishop's robe, the doctor's white coat, and the executive's suit all embody subtle, but real, expectations. Leaders fear that if people brought all of themselves to work — their moods, quirks, deepest aspirations, and uncertainties — things would quickly fall into disorder. Most people adopt an air of resolution and determination, favoring their masculine, rational selves. It feels unsafe to reveal the caring, inquiring, intuitive, and spiritual aspects of the self, or to express a desire for meaning. Many of us end up disowning some fundamental aspects of our selves. When an organization feels lifeless, is it because we bring so little life to work?

Teal organizations start from the premise, resonant with many wisdom traditions, that a person's deepest calling is to achieve wholeness. These organizations engender vibrant workspaces and practices where trust flourishes. People feel they can truly be themselves. Simple management practices foster a sense of personal connection. At Patagonia's headquarters in Ventura, Calif., for example, the company maintains a child development center for employees' preschoolers. Chil-

dren's laughter and chatter are regularly heard; kids visit their parents' desks, join adults for lunch at the cafeteria, and run around in the playground outside. One sometimes sees a mother nursing her child during a meeting. At another Teal company, Sounds True, people regularly bring their dogs to work. Meetings often take place with two or three dogs lying at people's feet. Having children and animals present tends to reconnect people with deeper parts of themselves; they see one another not only as colleagues, but as part of a common humanity.

One harbinger of the rise of consciousness in the business world is the support given to contemplative practices. It's becoming fashionable, even in Wall Street banks, to offer meditation classes. But these are often treated as add-ons, separate from the real work. At the Heiligenfeld hospital chain, inner work is woven deeply into daily life. Every week, colleagues from the chain's five hospitals come together for 75 minutes of intensive, reflective dialogue about a theme such as dealing with risks or learning from mistakes. Heiligenfeld also devotes four days per year to silence. The staff speaks only when needed, in whispers; patients engage in forms of therapy that require no words, such as walks in the woods or painting sessions. People learn to interact from a deep place when words are not at hand.

The quest for wholeness can also be seen on the factory floor. At FAVI, a French automotive supplier, all engineers and administrative workers are trained to operate at least one assembly-line machine. When orders must be rushed out, white-collar workers come in to run the machines for a few hours. It's a wonderful community-building practice. People in engineering and administrative roles work under the guidance of the machine operators. They see for themselves how hard the work on the machines can be and how much skill it involves.

FAVI also has an in-depth onboarding process that ends with new teammates writing an open letter to the colleagues they have joined. The letters often describe how, perhaps for the first time in their career as a machine operator, their voice counts at work and they are considered worthy of trust and appreciation.

## Evolutionary Purpose

Most organizations define a purpose for themselves in the form of a mission statement, which is typically engraved on a plaque in the headquarters lobby. Most of these statements, of course, sound hollow. The espoused purpose can't compete with the pursuit of profits or competitive advantage.

Buurtzorg's purpose, as discussed above, is to help sick and elderly patients live a rich and autonomous life. Its competitive advantage is the way it fulfills that purpose, with self-organization and wholeness. If it were a more traditional organization, it would try to keep this competitive advantage secret, and gain market share accordingly. Founder de Blok did the opposite. With Aart Pool, he wrote a book called *Buurtzorg: Menselijkheid Boven Bureaucratie* (Boom Lemma uitgevers, 2010, whose title translates as "Humanity above Bureaucracy"), in which he documented Buurtzorg's revolutionary ways of operating in great detail. He accepts all invitations from competitors to explain his methods, and acts as an advisor for two direct competitors without compensation.

"The whole notion of competition makes no sense," says de Blok. "If you share knowledge and information, things will change more quickly."

Making purpose the cornerstone of an organization has profound consequences for leadership. In today's dominant management paradigm (Orange), leaders are supposed to define a winning strategy and then marshal the organization to execute it, like the human programmer of a machine who controls what it will do. In the Teal paradigm, founders and leaders view the organization as a living entity, with its own energy, sense of direction, and calling to manifest something in the world. They don't force a course of action; they try to listen to where the organization is naturally called to go. None of the organizations I researched has a strategy document. Gone are the often dreaded strategy formulation exercises, and much of the machinery of midterm plans, yearly budgets, cascaded KPIs, and individual targets. Instead of trying to predict and control, they aim to sense and respond.

FAVI uses a metaphor to explain this. Other com-

panies look five years ahead and make plans for the next year. FAVI leaders prefer to think like farmers: Look 20 years ahead, and plan only for the next day. A farmer must look far out when deciding which fruit trees to plant or which crops to grow. But it makes no sense to plan a precise date for the harvest. One cannot control the weather, the crops, the soil; each has a life of its own. Sticking rigidly to plan, instead of sensing and adjusting to reality, leads to having the harvest go to waste, which too often happens in organizations.

Practices based on sensing and responding, combined with self-management, lead to high levels of innovation. Two nurses on a Buurtzorg team found themselves pondering the fact that elderly people, when they fall, often break their hips. Could Buurtzorg help prevent this? Their team created a partnership with a physiotherapist and an occupational therapist from their neighborhood. They advised patients on small changes they could bring to their home interiors, and changes of habit that would minimize the risk of falling. Happy with their success, they approached de Blok to suggest turning “Buurtzorg+” (Buurtzorg + prevention) into a national program.

Had de Blok been a traditional CEO, he might have analyzed the idea and, if he approved it, assigned a team in headquarters to develop a comprehensive implementation plan. His actual answer was much humbler: Why should he, rather than the system itself, decide if this was a wise thing to do? He suggested that the same team of nurses package their approach and disseminate the idea on the company’s internal social network. Hundreds of teams showed interest and the idea quickly caught on. Within a year, almost all teams had incorporated prevention into their work using that model.

In a self-managing, purpose-driven organization, change can come from any person who senses that change is needed. This is how change has occurred in nature for millions of years. Innovation doesn’t happen centrally, according to plan, but at the edges, when some organism senses a change in the environment and experiments to find an appropriate response. Some attempts fail to catch on; others rapidly spread to all corners of the ecosystem.

## Becoming a Teal Organization

Some companies, like Buurtzorg, are advanced in all three Teal breakthrough areas: self-management, wholeness, and evolutionary purpose. Others are more advanced in one area than others — FAVI in self-management, Heiligenfeld in wholeness. None of the Teal companies I have identified have the scale of the largest Orange companies (such as Walmart) or Green ones (such as Southwest Airlines). This is still the dawn of the Teal paradigm. However, its promise is suggested by the success these organizations are having.

Every stage of organizational evolution is more mature and effective than the previous stage, because of the inherent attitude toward power. A Red leader asks, How can I use my power to dominate? An Amber leader asks, How can I use it to enforce the status quo? An Orange leader asks, How can we win? A Green leader asks, How can we empower more people? A Teal leader asks, How can everyone most powerfully pursue a purpose that transcends us all?

Research suggests that there are two — and only two — necessary conditions for developing a Teal organization.

**1. Top leadership.** The chief executive must have an integrated world view and psychological development consistent with the Teal paradigm. It is helpful if a few close colleagues share this perspective.

**2. Ownership.** Owners of the organization must also understand and embrace Teal world views. Board members who don’t get it, experience shows, can temporarily give a Teal leader free rein. But when the organization hits a rough patch or faces a critical choice, owners will want to regain control in the only way that makes sense to them: appointing a CEO who exerts top-down, hierarchical authority.

What about businesses, nonprofits, schools, hospitals, government agencies, and other institutions where these conditions are not in place? Can a middle manager hope to influence an entire enterprise by showcasing Teal practices locally? As much as I would like to believe this is possible, my hopes are not high. Experience shows that it takes more than a successful local example to catalyze this sort of system-wide change.

# Work in Teal organizations seems to unfold so easily it verges on the magical. Control and self-correction are embedded in the system.

However, as a middle or senior manager, you can introduce some elements of the new paradigm for your own benefit and that of your colleagues. Practices that encourage people to show more of their true selves might come across as unusual, but are unlikely to raise red flags with top leadership. Some elements of self-management can be introduced; for example, instead of imposing new targets, ask team members to determine, in a peer-based process, which targets could be changed. If the team functions well, don't attend the meeting. Let them come up with the best solution on their own so the targets will be theirs. Or when it's time to appoint someone to report to you, don't do it yourself. Let the team one level below write up the job description, interview candidates, and select their boss. Executives who have tried this find that subordinates take choosing their boss very seriously, and the process gives the boss a much stronger working relationship with the team.

The full benefit, of course, accrues to those organizations that fully embrace the new paradigm. When I spent a day with de Blok in the small headquarters of Buurtzorg, I was struck by how much simpler work life could be. Buurtzorg is a 9,000-person organization growing at breakneck speed. But after several hours of conversation, I realized we hadn't been interrupted once. No urgent phone calls; no assistant coming in to whisper in the CEO's ear that something had come up. Work in Teal organizations seems to unfold so easily it sometimes verges on the magical. Control and self-correction are embedded in the system, and no longer require leaders to be on top of everything at all times.

In the past, with every change in consciousness (from Red to Amber to Orange and to Green), more powerful and life-enhancing forms of management

have emerged. After the full emergence of the Teal paradigm, we will probably look back and find the organizational forms and practices of the late 20th and early 21st century alienating and unfulfilling. Already, it's clear that we can create radically more productive, soulful, and purposeful businesses, nonprofits, schools, and hospitals. We are at an inflection point: a moment in history where it's time to stop trying to fix the old model and instead make the leap to the next one. It will be better suited to the complexity and challenges of our times, and to the yearning in our hearts. +

Reprint No. 00344

---

## Resources

---

Don Edward Beck and Christopher Cowan, *Spiral Dynamics: Mastering Values, Leadership, and Change* (Blackwell, 1996): Background for this history, including the work of Clare Graves.

Art Kleiner, "Ellen Langer on the Value of Mindfulness in Business," *s+b*, Spring 2015: Research on Teal-like attributes: wholeness and control over context.

Frederic Laloux, *Reinventing Organizations: A Guide to Creating Organizations Inspired by the Next Stage of Human Consciousness* (Nelson Parker, 2014): In-depth explication of the Teal paradigm and the 12 organizations where it is manifested.

Margaret J. Wheatley and Myron Kellner-Rogers, *A Simpler Way* (Berrett-Koehler, 1996): What organizations could be like if we sought inspiration from life and nature, rather than thinking about them as machines.

Ken Wilber, *A Brief History of Everything* (Shambhala, 1996): An introduction to the developmental stages of people and civilization.

More thought leadership on this topic:  
[strategy-business.com/strategy\\_and\\_leadership](http://strategy-business.com/strategy_and_leadership)

---

**strategy+business** magazine  
is published by certain members of the  
PwC network.  
To subscribe, visit [strategy-business.com](http://strategy-business.com)  
or call 1-855-869-4862.

For more information about Strategy&,  
visit [strategyand.pwc.com](http://strategyand.pwc.com)

- [strategy-business.com](http://strategy-business.com)
- [facebook.com/strategybusiness](https://facebook.com/strategybusiness)
- [twitter.com/stratandbiz](https://twitter.com/stratandbiz)