

CREATING EXTRAORDINARY ORGANIZATIONS

Volume 3, Letter 1

January 14, 2005

REVIEW OF CEO VOLUME 2

I write this letter for those pioneers who want to move beyond the ordinary to the Extraordinary in creating business organizations.

Welcome to Letter 3-1 of Creating Extraordinary Organizations. Last year we covered a considerable amount of territory on the journey to Extraordinary. As I did in Letter 2-1, I am going to review last year's letters to give you a perspective of where we have been. This will in turn form a basis for moving on.

Major Areas Covered Last Year

We covered three major areas last year:

1. The five Core Beliefs behind a new organizational model to replace Command and Control
 - 1.1. Purpose: The purpose for creating a business is to fulfill the needs and aspirations of its members
 - 1.2. Authority: An organization has no authority hierarchy
 - 1.3. Equality: All members of the organization have equal rights and status
 - 1.4. Freedom: All members of the organization are free to do what they want unless it infringes on the freedom of another
 - 1.5. Ownership: Members of the organization are the de facto owners of the business
2. The four Core Processes any organization must continuously perform successfully:
 - 2.1. Fulfill the needs and aspirations of organization members.
 - 2.2. Create and maintain an effective social system.
 - 2.3. Enroll capable members and maintain and improve their capability.
 - 2.4. Organize members into an effective human system to carry out the system of activities required for a successful enterprise.
3. Whether the term *leadership* and the *leader* role are useful, and what it takes to have a leaderless organization

Letter Summaries

Letter 2-1: Review of Volume 1

Letter 2-2: Extraordinary Organization Core Belief About: Purpose

Most people think that people are a means to the needs of the enterprise. What we see here is that the enterprise is the means to the needs of the organization members. The purpose of the work of

an enterprise is providing benefits to the users of its products. The purpose of forming and maintaining an organization is to provide human capability to perform enterprise activities. However, both of these actions only come into being as means to fulfilling the needs of the founder(s) and the organization members who join them.

Letter 2-3: Extraordinary Organization Core Belief About: Hierarchy

Hierarchy relates to authority. The Core Belief is there is no authority hierarchy—no top down command and control structure. Each individual has autonomy. The dictionary defines it as, “Not controlled by others or outside forces; independent; self-directed.” Authority comes only from a contract in which an individual gives it to another in return for a benefit she receives by doing so.

Letter 2-4: Extraordinary Organization Core Belief About: Equality

The benefits of equality are both psychological and physical. In an equality-based system, individuals can more easily fulfill their own needs. Equality assures access to certain basic rights. It fosters involvement and positive feelings about self and others. These lead to better results. Inequality creates serious problems. These hurt individuals, businesses, and even whole societies. The new model requires that organization members participate equally in all situations they can control individually or together.

Letter 2-5: Extraordinary Organization Core Belief About: Freedom

Freedom is a yes/but concept. Yes—you can do whatever you want. But—you cannot interfere with the freedom of another. If you see this will happen, you must curtail your freedom or work out an agreement with the other person.

We cannot have “total” freedom. We face the paradox that we must have rules that limit freedom in order to protect it. However, freedom allows us to deal with rule breakers in ways that enable them to remain in the organization as full members.

Letter 2-6: Extraordinary Organization Core Belief About: Ownership

This belief includes three parts:

1. Benefit: Organization members receive the wealth they create together.
2. Obligation: Members must operate the business for the mutual benefit of all its stakeholders
3. Status: Members are the de facto owners of the business

Believing that members are de facto owners leads to tremendous changes in how people think and act. Members no longer run the business just to serve shareholders as most now claim it does. They must consider groups like suppliers, customers, and the like. However, in doing so they must also fulfill their own needs and aspirations. After all, they do provide the human capability that makes it all happen.

Letter 2-7: Thoughts on Leadership — Is It Necessary?

For thinking and clear communication, it is best to eliminate the terms “leader”, “lead”, and “leadership”. Instead, it would be better to talk about the actual function a person fills in the system. This allows choosing the best person(s) to perform it.

Naming a leader almost always creates an authority figure. This violates the belief in no hierarchy. Furthermore, having an authority figure creates a parent/child type of relationship. This reduces responsibility, access to information, and choosing the most capable person to perform any function. These conditions reduce organizational and business effectiveness.

Letter 2-8: Thoughts on Leadership — Is It Necessary? Part 2

It is not easy to have a leaderless organization. To do so requires meeting eight conditions described in this letter. It is possible to meet them and have such an organization. The letter describes three enterprises that show a progression that starts with self-managed work teams. Next is a self-managed, non-hierarchical organization. The last functions without identified leaders and in accordance with all five Core Beliefs.

Letter 2-9: Core Organization Processes — Part 1

Every result in any business results ultimately from human effort. This is true even when we produce products with machines. Human effort designed, developed, and produced those machines. In the last analysis, human effort is **the** essential element in any enterprise.

This means that the success of any enterprise depends on how effectively we can develop, maintain, and utilize that human effort. To do this every organization must continuously carry out all four processes [listed above] successfully. This letter defines the reasoning leading to the four and describes each of them in more depth.

Letter 2-10: Core Organization Processes — Part 2

I wrote this letter to give the overall context of the major topics of these letters. To begin, the five Core Beliefs form a new paradigm for designing organizations. Since we are designing all the activities carried out by members, we need to understand somehow what they are. Of course, they are too numerous to talk about individually. Therefore, I have proposed that we can categorize them into four Core Processes. This letter shows how the system of beliefs relates in general to the system of processes. Following chapters examine how the Core Beliefs affect the design of each process individually.

Letter 2-11: Core Organization Process — Fulfilling member needs and aspirations

This letter shows how each Core Belief affects the design of this process. The effect of the five together creates an organization very different from any we commonly see today. However, there are a few organizations such as Sudbury Valley School, Semco, and W.L. Gore Associates who incorporate some or all of the aspects of such a design.

Letter 2-12: Core Organization Process — Creating and maintaining an effective social system

There are two themes in this process: interaction and sharing. When we enter an organization, we must give up some autonomy. We have to find ways to share scarce resources, opportunities, and rewards. At the same time, we have to protect our individual freedom and rights. All of this requires considerable interaction among members. This letter discusses how the five Core Beliefs affect the design of this process to meet these two demands.

Letter 2-13: Core Organization Process — Provide, maintain, and develop the capability of all members

All results come ultimately from human capability. Therefore, the process for building it is essential. This process has three parts, all of which we must design within the Core Beliefs.

1. Enrolling: Bringing in new members with needed capabilities
2. Developing: Continuously developing the individual and collective capability of all members
3. Contributing: Assuring that each person is willing and able to contribute all of his or her capability

Letter 2-14: Core Organization Process — Organize members into an effective human system

The design of this process must deal with two issues. First, we must *differentiate* activities into sub-systems and people into the sub-systems that perform them. Second, we must *integrate* their disparate efforts into a coordinated and effective total system.

Managers often give this process the least creative attention. The hierarchy generally uses standard designs for grouping activities and allocating people to them. They often do not consciously consider differentiation and integration as important issues. As a result, many organization designs do not adequately fit the needs of the enterprise or organization members.

Letter 2-15: Extraordinary Organization Example — Sudbury Valley School

This letter briefly describes the Sudbury Valley School. This is the only organization I know that functions according to all five Core Beliefs.

- The school exists and supports each person in fulfilling personal needs and aspirations.
 - There is no hierarchy—no principal, and staff has no more power than students
 - All have equal status and rights as community members.
 - There is freedom constrained only by boundaries that the members themselves set.
 - The responsibility for all operations—including operating funds—confirms the status of members as de facto owners.
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Until Next Time

I devoted much of Volume 2 to the beliefs and processes fundamental to creating Extraordinary Organizations. Unfortunately, most people do not understand or pay attention to them. Volume 2 was mostly ideas and theory. In Volume 3, I will continue with some more of these but begin to look at what actual designs might look like. Before that, though, the next letter will look at the importance from a larger perspective of shifting from the Command and Control paradigm to what I am currently calling the Freedom paradigm. That perspective is working to “build a world that works for all.”

Be Well, and
Be Extraordinary!

Don Yates
Extraordinary Organizations

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