

A Simple Explanation of the Teal Organization – Its Significance for Today & Feasibility in Japan



Author Kenshu Kamura

By Kenshu Kamura

The Japanese version of Frederic Laloux's book *Reinventing Organizations* (titled "Teal Organizations" and published by the Eiji Press), about a new trend in organizations, was released in January 2018 and was a major hit, selling more than 70,000 copies in the roughly two years since its release. The book was a winner of the "Business Book Grand-Prix – Management Department" and "HR Awards 2018 – First Place" and continues to maintain a high profile.

The original English version was released in 2014 and became a bestseller, having been translated into 15 languages with more than 400,000 copies sold. Laloux was ranked No. 39 in the 2019 Thinkers50 biennial global ranking of management thinkers.

The book's tremendous reception in Japan surprised Laloux himself and piqued his interest. As a result, despite the fact that he almost never speaks overseas, he visited Japan in September 2019 to give addresses and spoke at a retreat for managers.

This article offers an overview of the teal organization, including some of the author's remarks when he spoke in Japan, as well as a look at the current status of teal organizations in Japan, why this new organizational theory is being discussed in Japan, and how it is poised to spread.

The Beginning of a New Age

On Sept. 13, 2019, Laloux spoke and participated in a panel discussion at the Tokyo Tech Academy for Leadership, where I am on the faculty. To make the most of his valuable time in Japan, I noted that the teal organization could be mostly understood by reading the book and asked if he would talk about things not written in the book – for example, how he views the direction of society going beyond management theory. In response, he was kind enough to speak on the theme of "Social evolution in the teal age". The address was very thought-provoking, and made me want people in every conceivable field involved in creating the society of the future to hear it. The address was also very useful for an essential understanding of the teal organization, so I will briefly introduce those thoughts here.

In his inquiry into the future of organizations, Laloux looked at the histories of a variety of fields in addition to organizational theory, including agriculture, medicine, politics, and education. In the course of this examination, he noticed that there were certain stages at which humans' world view and organizations evolved. There were moments when people's view of the world suddenly changed. Today, new sprouts of evolution and new ways of looking at the world are beginning to appear in every conceivable field and industry.

He noted that since the beginning of humankind, there have been

three leaps in world views. The first occurred when humans began to take up agriculture. Until that point, humans had primarily been hunter-gatherers, but when they began to practice agriculture they also started to live in fixed locations. Their world view at that time was to control nature, and a world view of hierarchical structures began to emerge. Taking education as an example, children inherently want to play, but in the process of living in fixed locations and being viewed as a source of labor, children came to be treated as immature. Schools did not exist, but children came to be seen as needing to be trained.

The second major leap occurred during the time of the Industrial Revolution and the information revolution. This was when people began to seek so-called "optimization". Terms used with machines, like input and output, came to be applied to various fields. In agriculture, fertilizers and agrochemicals and selective breeding technologies were introduced and mass production was achieved. In education, the framework of students of the same age starting school at the same time and graduating at the same time, and measurements through things like tests emerged. In organizations, various evaluation and compensation systems were born. As everyone knows, this world view created various benefits but at the same time various strains.

Today, the new world view sees the world as a complicated ecosystem, and people are beginning to talk about the importance of taking a cyclical world view. Agriculture is moving from mass production of separate types of crops to symbiotic agriculture where compatible crops are planted close by, and the spread of permaculture and natural farming with a greater awareness of cycles. Medicine is taking an increasingly holistic approach, whereby instead of viewing a disease as a physical defect in the body, the individual's emotions, personal relationships, living environment, and other factors are taken into account when deciding on a treatment. In education, we are seeing the emergence of student-driven education like the Montessori method and Sudbury schools, where students are not divided into classes and children of different ages and characteristics study together; teachers do not force a curriculum onto the students and students themselves decide what to study.

Laloux talked about how new organizational theories are also spontaneously emerging in this new age. The teal organization is an easy-to-understand way to describe this organizational theory (*Photo*).

Photo: Tokyo Tech Academy for Leadership, Tokyo Institute of Technology



Frederic Laloux at the Tokyo Tech Academy for Leadership on Sept. 13, 2019

Keys to Understanding the Teal Organization: (1) The History of Organizational Evolution

The teal organization can be described as one of five stages in the history of organizations from their beginning to today. Laloux explains the stages using colors, referencing Ken Wilber's integral theory (*Chart*). The first organizations were red, with a primitive methodology of "one top person being everything" that emerged in the tribal age. These organizations were like today's gangs or mafia. They have a short-term orientation and are suited to emergencies or hostile environments in places like slums or failed states. These work if the top leader looks out for the organization, but in the extreme they are controlled by a fear of being punished for defiance.

The second stage is amber, and these organizations take a long-term outlook and have official hierarchies for further social development and the management of large-scale organizations. Examples of amber organizations today include the Roman Catholic Church, armed forces, and public-school systems. These organizations invented lines of command and operational flows, and emphasized the observation of precedents and maintenance of order, which meant that mobility between classes was difficult and that these organizations were not suited for change or conflict.

The third stage of organizations is called orange, which has developed since the industrial revolution and is the primary form of organization today. These organizations objectively analyze the current situation, make improvements, and work to achieve goals and pursue innovation. Global companies symbolize orange organizations. With an emphasis on scientific management, the breakthrough development for these organizations was the concept of meritocracy. Anyone can get ahead by competing successfully, and this led to rapid leaps in productivity. Class structures became more complicated, however, which slowed down management and harmful consequences emerged, including fears of not getting ahead, and a sense of emptiness as jobs were allocated by skills and capabilities like cogs in a machine.

The fourth-stage organization, green, is distinguished by assigning

authority and incorporating the viewpoints of multiple stakeholders. Examples include nonprofit organizations engaged in social pursuits and companies like Patagonia, which emphasize culture. These organizations have many forums for dialogue, and achieve a high degree of commitment from their members by emphasizing organizational culture and relationships. If all various values are incorporated, however, decision-making requires time and because these organizations are not completely flat, gaps emerge between the president and others.

Today the world is beginning to see examples of a new type of organization that does not fit into any of these categories, which Laloux calls teal. What surprised him about these organizations was not only their new management methods, but also the fact that many of them generated sales and produced results that surpassed those of orange and green organizations.

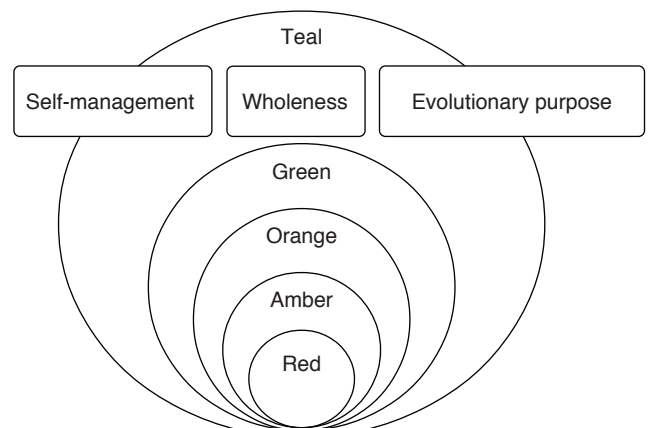
Keys to Understanding the Teal Organization: (2) Three Breakthroughs

Laloux identified three breakthroughs that are characteristics of the new type of organization he discovered. There are still not many organizations with these characteristics, but many of the new organizations appearing today have achieved some of these elements. Let us look at those three breakthroughs.

The first is self-management. Teal organizations rarely have the hierarchical structure that to date has traditionally been the primary method of managing an organization. Instead of asking a supervisor for approval or putting items to be decided up for a vote in a meeting, an increasing number of organizations are using a decision-making process in which each individual worker uses the knowledge of those around them to make decisions themselves, through an advisory process that is unique to teal organizations. There are no leaders or managers, or administrative divisions with strong authority, but instead work is organized flexibly on a day-to-day basis, with people in the workplace having a sense of the purpose for

CHART

History of organizational evolution & 3 features of teal organizations



Source: Compiled by the author

the organization's existence. This organizational and management structure without a hierarchy is the first characteristic of these organizations.

The second breakthrough is wholeness. Today's business workplaces are places where people essentially do their job while wearing a mask. Instead of being themselves, workers often do their jobs to meet what they consider to be the expectations of their supervisors and coworkers. Laloux asks why people at their workplace, where they spend a large part of their lives, cannot be themselves in the same way as when they are with family and friends. The second characteristic is that people can be themselves at the workplace, with an atmosphere and practices that invoke a sense of unity with coworkers, the organization, and society.

The third breakthrough is an evolutionary purpose. Teal organizations avoid setting fixed missions and visions, and setting business-specific targets. Instead of formulating and carrying out detailed plans, each member of the organization is constantly pursuing the reason for the organization's existence, and performing their work based on what is most important at that time. Things learned in the course of one's work are quickly shared throughout the organization, and new pursuits and actions are implemented. This organizational evolution, with businesses constantly thinking about the reason for the organization's existence and its future direction, is the third characteristic of a teal organization.

The Spread of Teal Organizations in Japan

Moving on from this summary explanation, the next question is, "To what extent are we seeing the spread of this kind of organization in Japan?" *Reinventing Organizations* has been released in Japanese and read by many people in Japan, and according to the Internet a number of teal organizations can be seen in Japan. From an actual specialist perspective, however, I believe there are few teal organizations. In the first place, Laloux himself has called even discussing whether an organization is teal, or referring to an organization as teal, nonsense. Moreover, are today's organizations healthy? Are individual workers motivated in their actions by a sense of fear or competition, or by consideration and love? These are good questions, and if an organization is not healthy with its members motivated by fear and competition, people within the organization can discuss why that is so and changes in behavior will start to occur little by little, and then at some point they may realize that the organization has become the type described in the book. The idea that a teal organization can be introduced over three years of milestones is an orange organization paradigm that is not appropriate for a teal organization.

In this sense, there are still very few teal organizations in Japan (strictly speaking, after having studied teal organizations, there are almost none). At the same time, are teal organizations really suitable for Japan? In response to that question, I believe that teal types of organizations can emerge in Japan. The first reason for this is that the teal organization is the product of a Western way of thinking, and is based on the integral theory proposed by Wilber. This integral theory is in fact a fusion of Western developmental theory and Eastern thought, and is distinct from the traditional Western theory

of rationalism, meaning that it is easy for Japanese people to identify with. One can also say that from the perspective of this theory, the concept of the teal organization may be better suited to Japan.

The second reason is that traditional Japanese organizations have a teal type of formative experience. Slightly prior to the publication of *Reinventing Organizations* in Japanese, the concept of the teal organization was put to former Sony director Shiro Tenge. He noted that "The old Sony used to have exactly that kind of culture." Strictly speaking, the old Sony was formally organized with a pyramid structure, but through personal magnetism its senior executive (Masaru Ibuka) was able to ignore the structure and introduce a teal organization that was like a living organism. Looking at specific examples, in fact, I found that there have been many episodes that exactly correspond to a teal organization. My impression is, therefore, that the teal organization is already firmly established in Japan.

At the same time, in recent years there has been a succession of organizations in Japan that have attempted to break out of the mechanical organizational theory. Driven by the sharing economy, organizational frameworks have become extremely loose, with remarkable new developments like the company Gaiax conducting its corporate activities as an open community, while Cybozu has designed a structure that emphasizes teamwork and allows 100 people to work 100 different ways, and Cookpad has included in its articles of incorporation the unique provision "When everyone on the planet enjoys everyday cooking, our company will dissolve." Expectations are growing that new organizations are beginning to emerge in Japan that will surprise the world.

Conclusion: Moving Toward a New Age

Laloux says that even though the teal organization is the correct form, it is not something for which an organization should aim. He also says that today, people working in a teal organization may not necessarily be happy. He likens it to the emergence of the automobile during the days of horses and buggies, when roads were not paved and there were no gasoline stations or highways, meaning that automobiles were expensive and not particularly convenient. In the same way, I don't believe it is easy to manage a teal organization when economic mechanisms are still mainly operating under old paradigms with a focus on legal frameworks and equity markets. Nevertheless, if we think that all people are born into this world and their lives are a wonderful thing, I believe that the teal organization concept is an important guiding principle. I hope that readers of this article will be able to look beyond organizational theory and think from all possible perspectives about how to implement frameworks that will achieve a teal society. **JS**

As a facilitator, Prof. Kenshu Kamura has supported communities for people to interact with each other in various fields such as town planning, organization development, and new business development, and to build relationships and create together. He currently represents home's vi, and is a specially appointed associate professor of Tokyo Tech Academy for Leadership, Tokyo Institute of Technology.