S5E7: Rod Collins

Peter Margaritis
Hey, welcome back, everybody. I'm going to school today, and I'm going to learn something completely foreign to myself, because my guest is Rod Collins. And he's going to teach me about this concept that's foreign to me of a self-managed corporate structure. But first and foremost, Rod, thank you for taking time out of your schedule to spend some time with me on my podcast.

Rod Collins
Peter, it's a delight to be with you.

Peter Margaritis
So, okay, I'm the student. You're the professor. I don't understand what... can you explain to me what self-management corporate structure as a self-managed corporate structure?

Rod Collins
Okay. There's two fundamental ways that organizations can be set up. And for the last 150 years, most organizations have followed one model. It's a centralized top down, command and control hierarchy, organization charts. We take all this for granted. But it turns out there is a second model, practiced by a small number of companies, but I think will become a growing space as we continue to see the pace of change accelerate. Because this this lesser model is more adaptive to change. And that's lessor model is the self-managed distributed network. Now, when, when we set up an organization, organizations have to answer two fundamental questions in their design. One is who decides, and two is how does power work so we can get things done. In the traditional top-down hierarchy, it's designing principle is trust authority. And therefore, we designate particular individuals, we leverage the intelligence of an elite few, and we give them command and control authority. And so, the form of power that works in hierarchy, we may not like the name, but it's true is coercive power. And you have concepts such as insubordination, and you can get fired if you do not follow the directions of those who have command authority. And we take this for granted. In networks, the questions are answered very differently. Their design principle is nobody's smarter than everybody. And so, they don't leverage the individual intelligence of an elite few. They leverage collective intelligence. And the way things get done are through collaborative power. So, no one in a network, no single person, has the ability to coerce another person. It's just simply can't be done, because the network's their goal is not compliance with directives, but rather to reach agreements. And who decides in a network? Well, teams decide. And so, one difference between a self-managed network and a top-down hierarchy is what's the individual unit of work? In a hierarchy, the individual unit of work is the individual person, which is why we have performance appraisals. Performance appraisals are always done in the context of specific individuals. In networks, the unit of work is the team. In hierarchies, individuals make decisions, individuals who are

in authority and who are in authoritative positions. In networks, that teams are responsible for their own decision rights. In hierarchies, you're organized by departments, and these departments oftentimes compete with each other. Oftentimes withhold information from each other. In networks, they work inherently in cross functional teams. And so, they have to collaborate in order to get things done, because the team is the focus of their work. Now, the reason networks are more, I think, are going to grow in our rapidly changing times, is that networks can adapt better. In a hierarchy, the basis for strategy is central planning. And once those plans are formulated, they tend to be fixed. And once they have formulated, the drive within the organization is what I call ideological conformity. Anybody who disagrees is considered not to be a team player. And the goal, the behavioral goal, of the top-down hierarchy is compliance. Now, in the network, all right, they approach strategy very differently. Not through central planning, but rather through iterative discovery. And that's very important in rapidly changing times. Because once you have a fixed plan, if the world's changing fast that plan can become obsolete pretty quickly. In networks, if you're doing iterative discovery, and strategy is an organic process. And since the teams are responsible for decisions, they're constantly learning and learning together, and the process for closure is through the agreements that they reach as they do their work. Also, networks invite diversity of opinion. Because when you're leveraging the collective intelligence to make decisions, then everybody's voice matters. And there's also an understanding, no single person, especially in rapidly changing times, can process everything that's happening in real time. That really does require a collective intelligence effort. So, these are very, very different models. Now, to help our listeners, they might be surprised to learn that this model has been around for over 60 years.

Peter Margaritis
Yes, I think they would be.

Rod Collins
And, as a matter of fact, a product that they know well is made by a company that has operated this way, as a network, since its beginning. Anybody familiar with the product Gortex? Gortex is made by a company called WL Gore and Associates. They were founded in 1958. They were a 10,000 person company in 30 countries around the world. They were a $3 billion enterprise. They made a profit in every year that they marketed their products, and they've never had a boss. No person in this company has ever had the authority to assign work. It is a completely self-managed organization. And it has operated this way for over 60 years.

Peter Margaritis
That's amazing.

Rod Collins
Yeah.

Peter Margaritis
So, first. I'm sold. You've sold me. I'm all in self-management leadership. I mean, to me, that, one of my quotes is the collective knowledge outside of your office far exceeds the collective knowledge inside of your office. So, I love this concept. It also follows kind of like my improv leadership, a model and

aspect of it, but my one, my next question is, what does leadership look like in this type of network environment?

Rod Collins
It is radically transformed. In the hierarchy, the, if you will, the prototype for the leader in the hierarchy is the individual hero, who will come in and save the company. And unfortunately, when boards hire CEOs, this is what they are looking for. The individual hero who will single handedly save the company. Well, that doesn't work, which is why you see such tremendous turnover among CEOs. In networks, leadership is a team function. There's another company that practices this model. They're known, they're called Morningstar. They're the world's largest tomato processor. They've been around since 1990s. And they also have never had bosses who could assign work. And they went from a startup to the world's largest tomato processor using a self-management model. Now, when they were visited by Gary Hamel, the the noted management guru, he was very impressed as he walked around with their founder, Chris Rufer. And he made the statement to him, he said, "Chris that there are no managers in your company," and Chris turned around said, "No Gary, you got it all wrong. Everyone is a manager in our company." So, in the self-manage company, everyone is a leader. What's different about the network as compared to the hierarchy, in the hierarchy, leadership is an ascribed position. So, we put people, we call them the leaders and they tend to direct all aspects of a particular project, even though they may not be competent in all dimensions of the project. Now, in a network, alright, with leadership residing with the team, they are able to optimize leadership, because what the team may do is, let's say, in the beginning of a project is a person who's particularly really good at leading brainstorming efforts. So, the group will turn to that position and say we're going to make you the leader of this. And then once the group is brainstorm and decided, we need to convert this into a plan, they may look upon another individual who's got excellent organizational skills, and say, we need you to lead us through putting this together. And then somebody else may actually help to lead the construction. And then somebody else may help to lead the marketing. And so, what the team does is it's able to maximize its strengths by at every aspect of a project, pulling in the appropriate, optimal talent to take the effort forward. And so, everyone gets to experience being a leader. And so, you don't have this class distinction that you've got in hierarchies between the managers and the workers. In self-managed structures, everyone's a manager. Everyone to worker.

Peter Margaritis
So, the question next that pops up in my head is that one I love this concept, but from a structural perspective, do these... these organizations have Board of Directors, correct?

Rod Collins
They do.

Peter Margaritis
 They do. And is there someone within the organization that's appointed, lack of a better term right now, the CEO?

Rod Collins
So, let's take Gore as an example.

Peter Margaritis
Thank you.

Rod Collins
Gore has the CEO. That CEO does not direct the activity of Gore. The role of the CEO is to maintain this unique culture to make sure that this team based self-management approach, okay, is preserved. And also, their main function is to be a spokesperson to the outside world, because the outside world is used to interacting with CEOs. And so, that's one of their primary roles. But in terms of unilateral decision making, they don't have that. All decisions in Gore are made in the context of teams. So, people listening to this might say, Well, how do you decide strategy? How do you decide what projects go forward? All right. And the way Gore does it is anybody can organize a team around a new project. And this happened a few years ago, I happen to be a guitar player. And if we have any guitar players, listening into this podcast, they may be familiar with Alexa guitar strings. Well, there was a group within Gore that sat around and said, you know, guitar players have to replace their strings every six weeks. But what if we made a guitar string that you only had to replace once a year? And what they did is, you know, they coated the strings with a chemical treatment. So, this team comes up with this idea. All right. And if a team comes up with an idea in Gore, everybody's free to develop it. You can organize teams. Once you think you've got your idea to a point where you think it's time for funding. What Gore does is they'll have a session together similar to a shark tank that we see on TV, but they've been doing this before it was on TV. And all of these teams come in, they put together a group of people to listen to these presentations, and the teams make a pitch for why they should get funding. And what happens is at the end of the session, those who've been listening to the presentations are given a stick of green dots. Green, of course for money. And let's say, each dot is worth $10,000. And you've got six of them, and the group has said if you had 60,000 to invest in these, where would you invest in. And if you wouldn't invest in any of them, you can pocket your dots. And based on that voting, they decide which projects should be pushed forward to another committee that would decide whether or not it would get funding. And so, what you see is constant team-based approach. No, one of the wisdoms of this management approach, and this was a guiding principle, and Bill Gore's mind when he set up this management structure. He didn't want any single individual to ever have the ability to kill a good idea or keep a bad idea alive. He wanted his company designed for innovation. And so, this is how innovation happens. Any team can come up with an idea. They have to make a case. They bring it forward. They bring it forward to a group. You can see they're leveraging collective intelligence, not individual intelligence. If that group says yes, we think this should get funding, then it goes to another team who's responsible for allocating the budget. And so, a second team checks in. And although this may sound cumbersome, it actually moves faster than trying to run an idea up and down a chain of command where you're actually getting it reviewed, perhaps six or seven different individuals. Here you're going to a two team process. And I think in these organizations, they have a sense of, you know, we're going to have another one of these, I'm going to call it Shark Tank, that's not what they call it, that they may schedule and say, you know, every month or so. So, your work, you know what you're working towards, and it's a reasonable timeframe in which to get your ideas forward. But this is what leveraging collective intelligence looks like.

Peter Margaritis

I love it. You know, I don't have an accounting background. I'm not a very good one. I'm a CPA, but I do have that background. And real quickly, so when the team gets the idea that they're Shark Tanking it, and they say okay, let's move forward with it. And then you said it goes to another team. Is that where the finance people come in and go okay, now let's really scope this out for my cost benefit analysis, or what's the return on investment?

Rod Collins

Yes, those types of things will be looked at, but those would have also been presented by the team in the presentation. Alright, so they would have made the case for cost benefit analysis. And what you've got is another team that is responsible for allocating the, you know, the limited funds that the company has. And so, what you've got is you're constantly have multiple sets of eyes looking at things. And this assures that no single individual can kill a good idea. Keep a bad idea alive. So, you don't have a single CFO who has the authority to kill a project. You have a CFO, okay. But the CFO is a team leader, but the decisions are actually made by a financial team, as opposed to a single individual. The CFO's role is to make sure that this self-management process is preserved, and also has to sign financial statements because that's required oftentimes of companies.

Peter Margaritis

My understanding now is those who operate in the C-suite per se, their roles as CFO as head of sales, head of distribution, headed whatever, their main goal is to make sure that the culture, the self-management culture is not dismissed. It is adhere to. And that's their role, and also have an input and be part of the conversation. But it's a collective conversation, not a singular conversation within yes or no. The CFO would never be considered the CFNo, as in a hierarchical situation.

Rod Collins

Yeah, the CFO does not have the authority to singularly say no. That doesn't exist. The CFO can make a, you know, can make a case. Now, leadership in a network is a facilitative activity. Whereas in a hierarchy, it's a directive activity. So, in a hierarchy, the leader feels, well I've got to come up with the answer. All right. In networks, the focus is on the questions. The leader feels, we have to come up with the right questions. And then I've got to leverage the intelligence of everyone so we can answer those questions. And another thing about focusing on collective intelligence is if you're facilitating the diversity of opinions, in an honest way, you are more likely, more quickly to uncover unknown unknowns. And unknown unknowns are the things that kill hierarchies. When you have a centralized fixed plan, and you say we're going to go with that and put blinders on, oftentimes what kills projects and causes them to go over budget, or over time is the unknown unknowns pop up, and then you got to handle them. If you're leveraging collective intelligence, if you're respecting diversity of opinion, if you're in fighting dissenting ideas, you are going to uncover the unknown unknowns well quickly, because that's what the people are seeing. That's what allows you to come on time and on budget. If you front end knows, you're going to eliminate the rework at the end. It's a little messier, but in the end, it's more order. The hierarchy is well ordered in the front, but how many projects at the end of the day are just an absolute mess? So, I always say to people, in every project, there's two stages, order and chaos. Your only choice as a manager is what's the sequence? Why the hell makes you choose order? Okay, first, why would you choose chaos last? Have the chaos first, get the order, let the order emerge. Like discover

the unknown unknowns, and you're likely to come up with better results, but more importantly, you're going to be able to adapt to change in real time.

Peter Margaritis
One thing that came to my mind, and I got to have you back on the podcast because we need to wrap this up. I need to have you back again to talk more about this because I'm fascinated by it.

Rod Collins
I would be delighted, yeah.

Peter Margaritis
But as you're saying like the chaos, if Coca Cola would have adopted that type of organizational structure, we would have never come up with...they wouldn't have come up with New Coke.

Rod Collins
Right.

Peter Margaritis
Right.

Rod Collins
That's right.

Peter Margaritis
So, Rod. How can people find you?

Rod Collins
They can find me on my website at RodCollins.net.

Peter Margaritis
Rod, thank you so very much. This has been fascinating. I'm on board with self- managed distributed networks as a corporate structure, and it's wonderful talking with you. I look forward to our next conversation.

Rod Collins
Thank you, Peter. I appreciate it.

Peter Margaritis
I would like to thank Rod for sharing his knowledge about the positive aspects of working in a self-managed distributed network corporate structure. Once we finished recording and during the debrief, I asked Rod if he would come back as a guest and share his experiences in working in this type of corporate structure. He agreed and asked me to bring my toughest questions to the interview. This new episode will be released on April 25th. If there's a question you would like me to ask Rod, just email to me at Peter@Petermargaritis.com and put in the subject line Question or Questions for Rod.

Remember, "There are people who prefer to say yes, and there are people who prefer to say no. Those who say yes are rewarded by the adventures they have, and those who say no rewarded by the safety they attain." Be a yes person. Thank you.