THE LOOP APPROACH

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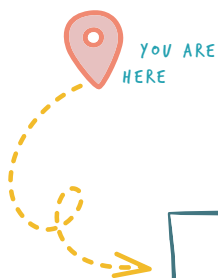
The LOOP Approach

CONTRIBUTORS

The Loop Approach was developed at TheDive, and was only made possible by the contributions of Hie-suk Yang, Frederik Fleischmann, Jörn Apel, Marianne Skvorc, Uli Schoop, Eva Hohenberger, Simon Berkler, Maya Biersack, Simon Hofer, Lena Marbacher, Dominik Wagner, Georg Tarne, Eduard Munkhart, and Jaqueline Stein. The approach was further developed and tested together with countless great people at our partner companies, like Audi Business Innovation, Deutsche Bahn, Deutsche Telekom, and Europace.

Special thanks to Anja Michalski, Martin Wiens, Lena Marbacher, Dominik Wagner, Robert Löbel, Louka Goetzke, and Eva Hohenberger who also played an active part in the creation of this book.

The authors Sebastian Klein and Ben Hughes first began contemplating the future of work while working together at the start-up Blinkist. Many thanks to the people there who were part of and made possible this first part of the journey.

This book also draws inspiration and ideas from the world-wide community of Holacracy practitioners, as well as Nonviolent Communication enthusiasts in Germany and the rest of Europe.

It's been a fascinating, thrilling ride, and we look forward to what's next!

PART 2
The LOOP

THE

Approach

LOOP
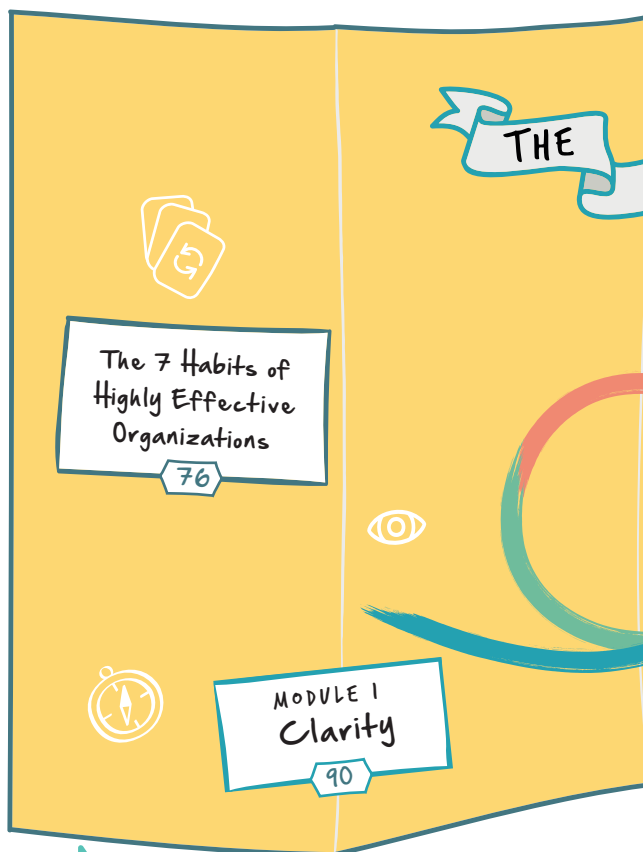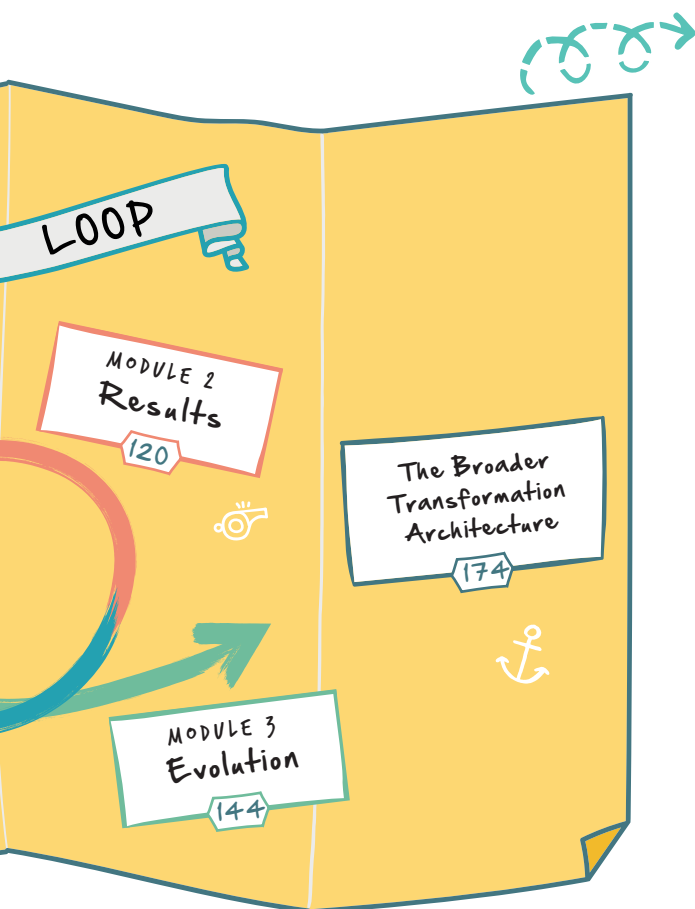
LAUNCH

Let's start with a check-in.

Whenever we want to do something well, we always start our work with a check-in. Checking in is the simple act of stepping back, taking a deep breath, and affirming to others that we're really there, present in the moment. Making time for this short break helps us understand our own intentions and communicate them to others, thereby getting everyone on the same page. If someone's mind is still dwelling on last night's Margarita Monday or on their life crisis, they shed such preoccupations here.

Typically, a check-in takes the form of two simple questions, which everyone present answers in turn. So to get you started on your journey of working through this book together with us, please answer the following questions.

What's on your mind?
What has your attention right now?

Take as much time as you need.

Just like you, we find ourselves taking part in a major transformation that's gripping the world right now. A transformation that's fundamentally changing the way people work together in organizations. The rigid hierarchies of old are being replaced by new, more flexible organizational models, and this will be arguably the greatest organizational upheaval since the Industrial Revolution.

And as with most revolutions, there's just no ignoring this one. New organizational models will become the status quo, and traditional hierarchies will fall along the wayside of history, like steam engines and fax machines before them. We can't imagine going back to a world without electricity, airplanes or the internet, and soon, the same will be true of these new organizational models.

But why is this revolution happening? If you've ever worked in a corporation that's organized as a traditional hierarchy, you probably also recognize and appreciate that change is sorely needed. Until recently, it was commonly accepted that if you wanted to get any larger group of people to work together, the *pyramid*[1] model was the only way to go. But today, it is becoming increasingly obvious that the era of the pyramid is over. And while there are many reasons for this, we want to highlight three:

First, people find it very demotivating to work in a rigid hierarchy, where they're just expected to do as they're told. Young, well-educated professionals entering the workforce today are no longer willing to sacrifice years of their career to just following orders from pointy-haired bosses. After all, they can afford to be picky: the market for good talent is competitive, meaning employees are no longer desperate to cling on to whatever stable job they can. The most sought-after professionals demand much more than a steady paycheck: they want meaning, flexibility, and to be trusted with the authority to make decisions that actually impact the organization.

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[1] We use the term "pyramid" as a simplified term for the structure of a traditional management hierarchy.
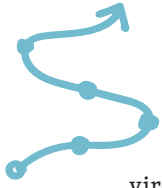
Second, the rigid, hierarchical pyramids of the past are just too slow and cumbersome to succeed in competition with young, agile upstarts. Without the burden of a pyramid on their shoulders, the newcomers are much faster at adapting to their changing environment. As a result, they are inventing and reinventing businesses faster than the old guard can even fathom, let alone compete with. If established corporations used to laugh off small startups operating from garages somewhere, their smirks have since been thoroughly wiped off their faces. As companies like Amazon, Facebook and Google have proved, any scrappy newcomer could skyrocket to the top of the Fortune 500 list in under a decade, leaving former industry leaders in the dust. The age of the dinosaurs is over—the mammals are here, baby!

Third, if we take a big picture view, we rapidly see that our world desperately needs new kinds of organizations. From accelerating climate change to increasing inequality, we believe that many of humanity's biggest challenges today stem from our sadly out-of-date organizational model. Countless organizations emerging today have already adopted the greater purpose of changing the world for the better, and they only continue to evolve around this purpose[2]. Many such companies have already entered the spotlight via Frederic Laloux's book *Reinventing Organizations*. And in our own work, we see more new purpose-driven companies similar to Patagonia, Burtzoorg, and Zappos emerging every week. What's more, we're also excited to see many larger organizations—or at least parts of them—take on the challenge of reinventing themselves and boldly reorganizing how people work within them.

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2 Please note, though, that adopting a new organizational model and wielding a positive impact on the world don't always go hand in hand. Just consider companies like Amazon or Facebook—hardly prime examples of new organizations using their power for good. But they do demonstrate nicely just how effective the new organizational models can be.

A new mindset

What we're currently witnessing in the world around us is a great shift from one dominant type of organizational operating system[3] to another. The old, hierarchical management pyramid, which for millenia seemed like the only viable option for running any larger organization, is finally being replaced by more network-like models. But this "update" isn't going smoothly. Not at all. In fact, it's generating lots of tension and friction.

On the one hand, we have a new generation of companies that's instinctively embracing new way of doing things. They adopt ready-made solutions like Holacracy, or design their own, and just go with it. Meanwhile, most companies still run on the old operating system, and for them, updating to a new one is no easy task (yes, even worse than Windows 10). Though the software analogy can make it sound like companies just need to press a button to update and reboot, the truth is that it's much more complicated and arduous. And the older and larger an organization, the harder and more painful the transformation will be.

So does this mean that all the old "tankers" weighed down by pyramids are doomed to rust in their old docks and sink? Or can they be refitted with the new operating system, making them agile and nimble skiffs once again? These aren't easy questions to answer. But one thing we know for sure: it's not

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3   We'll explain this term in more detail in the glossary at the end of this book. For now, it's enough to understand that it encompasses all the ground rules an organization has defined for itself, such as its decision processes, leadership guidelines and meeting protocols.

enough to just put a fresh coat of paint on a rusted structure. What's needed is a fundamental shift of mindset within the organization.

The classical management hierarchy operated under a mindset of "predict and control," with those at the top of the pyramid making plans and commanding those below to execute. But today, this mindset is being unseated by one called "sense and respond." Instead of a few clever brains deciding what should be done, the power to "sense" new information and make decisions as to how to respond is distributed throughout the organization. This means that every member of a company becomes an intelligent sensor, receiving and evaluating signals from the outside world and then responding to them autonomously, without asking their bosses for approval.

The upshot?

Rather than waiting around for information and decisions to percolate up and down a hierarchy, an organization can make thousands of smart decisions every hour. Even better, they are made by the true experts on the ground, not the suit bossing them around thanks to a degree in executive hand-shaking.

But how are these large organizations, which have basically ruled the world until now, supposed to "change their mindset"? With hundreds or even thousands of employees, what should they do and where should they start?
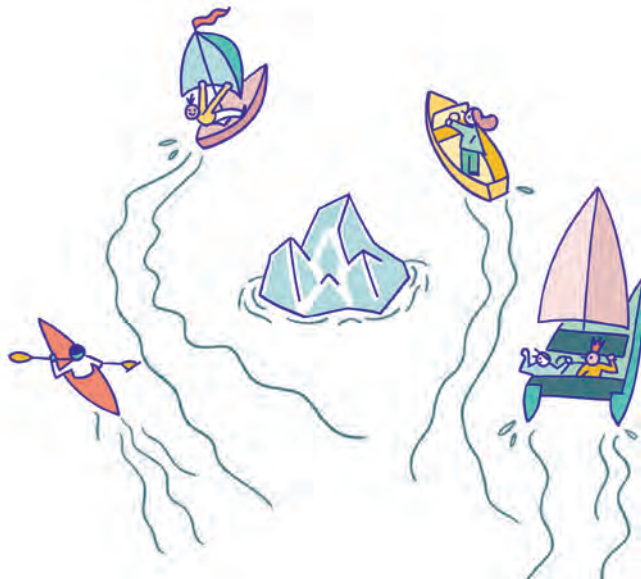
Failures and success stories

It's no wonder that the prospect of this shift is already leading to great uncertainty or even panic within some organizations. And this isn't helped by the constant articles, case-studies and keynote presentations recounting cautionary tales of transformations gone wrong. For instance, stories of some organizations trying to become more agile and self-organized but only ending up more chaotic as a result. Or how others got off to a promising start and scored some initial wins in the transformation, but then quickly ran into huge obstacles that no-one foresaw.

But these tales are only disheartening if viewed through a certain lens, namely the assumption that we ought already to know exactly what the organization of the future should look like. Putting aside this assumption, the stories become something else: chronicles of brave people venturing out into the great unknown. We cannot expect perfection from explorers setting sail on an uncharted ocean: under such wild uncertainty, just discovering the first few islands should be considered a major success. It's easy to forget that even Columbus technically failed at what he set out to do: finding a shortcut to Asia.

One such success story, to our mind at least, is that of Zappos, the American online shoeretailer founded in 1999. In 2013, the company introduced Holacracy[4] as its official operating system, and things started out swimmingly. Many people applauded as Zappos made the bold move to get rid of its managers.

But as is often the case with change, this initial success was followed by a swathe of new challenges. It rapidly became clear just how difficult it is to transform a 1,500-strong organization. The shift required everyone to throw many old behaviors overboard, and no-one likes doing that.

For Zappos, the process turned out to be time-consuming, non-linear and controversial. Many employees were unhappy about the move and left the company. Eventually, Zappos even had to step back from a comprehensive implementation of Holacracy. And now, over five years since the transformation started, it is still far from complete.

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4 | In the next part of this book you'll find a short explanation on what Holacracy is. For now, it's enough to know that it's one of the operating systems that companies can use to organize people within them. You could call it software for people that aims to replace the old power structures in organizations.

Into uncharted waters

Of course, the story of Zappos can easily be seen as a cautionary tale. If you wanted to, you could use it to bolster a case that any organizational operating system beyond the classical hierarchy simply won't work in the real world. But to do so would be to take an overly simplistic view of how transformations in complex systems work.
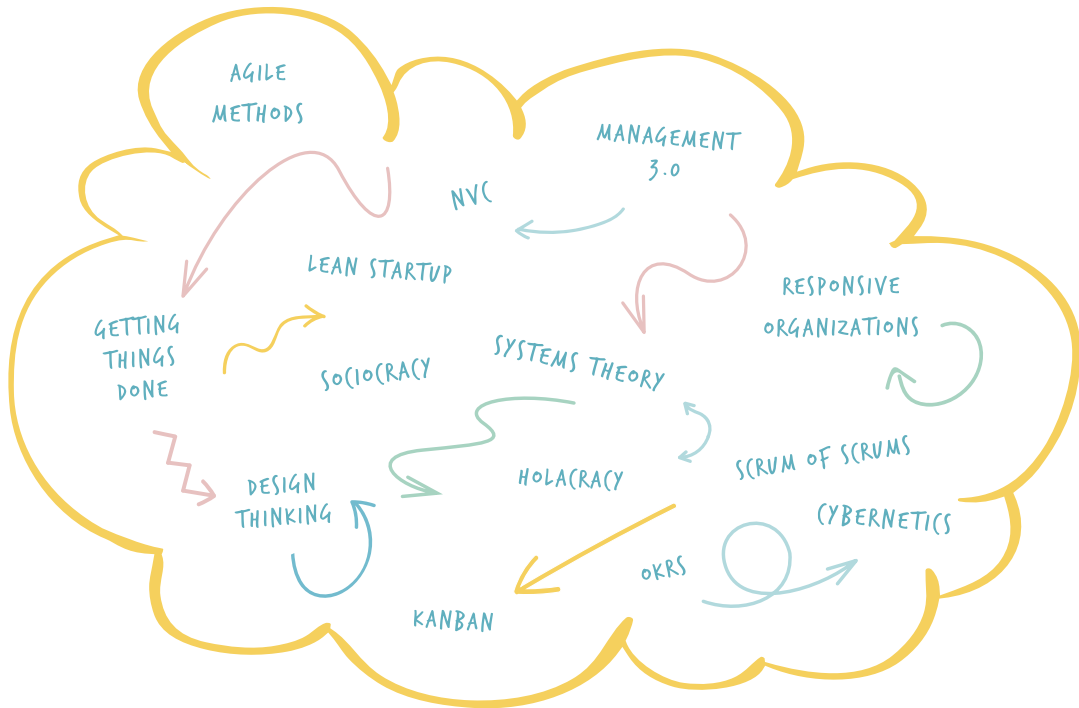
That's because complex systems can't be transformed just by opening a can of ready-made solution and painting over the old one. The very notion that this is possible is a fallacy baked into the old predict-and-control mindset, which is obsessed with top-down solutions. But as we can see from the example of Zappos, a successful transformation requires a new mindset. And we believe this mindset is "sense and respond."

Here, the transformation is a never-ending process, marked by learning along the way, casting old assumptions overboard and always looking for the sensible next step to take. Of course, this approach isn't easy; it requires a lot of work and constant rethinking. But we're convinced it's worth it.

Our model, The Loop Approach, is intended to help you start such a transformation journey and navigate it safely. This book is by no means a one-size-fits-all blueprint for a successful transformation, but it will hopefully help you plan and guide one. It does so by providing a structure for something that we've found is intrinsically hard to plan, while still leaving room to maneuver around individual circumstances. It comprises a process, but still remains open and flexible enough to be adapted to each organization's needs and constraints.

Why this book?

Over the past few years, we've spent a lot of time reading and thinking about the future of work and how to get there. We've tried various approaches ourselves and worked with many clients and partners trying to answer the question: How can we transform an existing system without breaking it?

AGILE METHODS

MANAGEMENT 3.0

NVC

LEAN STARTUP

GETTING THINGS DONE

SOCIOCRACY

SYSTEMS THEORY

RESPONSIVE ORGANIZATIONS

DESIGN THINKING

HOLACRACY

SCRUM OF SCRUMS

CYBERNETICS

KANBAN

OKRS

The answer is that the process is invariably complex and non-linear, which makes it very challenging for most organizations operating under the old predict-and-control mindset to pursue. Meanwhile, consultants and coaches are excitedly screaming dozens of new buzzwords at them, adding to the sense of overwhelm and leaving these organizations wondering about things like:

"What does agile have to do with self-organization? Do we all need to be ambidextrous now? Do our employees need to become design thinkers? When and where are new systems like Holacracy helpful, and where do they just complicate things?"

The usual change process

Destroy the old structure   The journey is undefined   Goal: We are agile now

Over the course of this book, we'll present our approach, which was developed to make transformations of all sizes manageable without stress-eating, hair-pulling, or fist-on-desk-pounding. We'll teach you the tools and behaviors that can best support a transformation toward an evolutionary, agile organization. And if you're skeptical about what exactly this transformation is supposed to look like, considering that it's based on the rather vague demand to "adopt a new mindset," fear not—we'll show you that too.

The Loop-Approach

Preserve the old structure   The journey is the destination   The end result is undefined

Can't we just decide on a name for next-level organizations already?

If you have any knowledge of the field of organizational development, you might already be wondering what we think the *correct* term for the organization of the future is. There are so many flying around already! Is it "teal", as Frederic Laloux says in *Reinventing Organizations*? Is it "evolutionary," as Aaron Dignan says in *Brave New Work*? Or maybe it's "agile," "self-organized," "next-level" or "Alice in Wonderland"? Our advice: relax. The label isn't the important part here, and in fact trying to pin down the "correct" one is pretty typical "predict-and-control" thinking. Our Loop Approach is all about the process, not the end result, because the result will be different for every transformation. So please feel free to call your organization whatever feels right. Call it fabulous for all we care! In this book, we'll use changing labels, but as you'll soon learn, for us they all mean pretty much the same thing.

In our experience, organizations spend far too much time trying to define the *What* (meaning the desired end result), when they should really be focusing on the *How* (the process of getting there). That's why one of our main goals in this book is to give you a set of useful tools for mapping out the *How*.

Before we start

Everybody makes mistakes. But with this book, we want to give you the tools to hopefully avoid the mistakes that others (including ourselves) have already made. What's more, we also want to encourage you to continue along this path you've chosen. The world needs brave pioneers like yourself, and organizations can only be transformed from within.

The Loop Approach has been developed to help you on this journey, whether you're just getting started or alread knee-deep in a transformation. Armed with it, you'll be better prepared to master the transformation process you're about to embark on, or to regain a firmer grasp of the one you perhaps find yourself in the midst of. But whatever you do, please don't consider this book complete. We certainly don't, and we plan to continue developing these tools further. Take the parts that you find useful, adapt them as you see fit, and