



BerryWay

The Story of a Self-Managed Organization



STARTUP



INVEST

Back in mid-2003, Todd Brookstone had convinced a group of partners to invest in his startup BerryWay - a company specialized in processing fruit into recipes for syrups, jams and jellies and toppings. Sean Baker, Todd's mentor, brought him into contact with Steve Cameron for additional funding, a banker who offered construction loans and credit.

CEO



Todd Brookstone (entrepreneur)



BUILD

After the partners and financing were in place, Todd found an experienced engineering firm to complete blueprints and a respected construction firm to do the installation of his new food factory. One of Todd's friends found a piece of land that was perfect for a factory.



CONTRACT

Some reliable growers were contracted required for the delivery of fresh ingredients for Todd's recipes. Also a long-term customer relationship was negotiated with Operations Synergy Foods, represented by Sandra Albertson.



SET UP ADVISORY BOARD

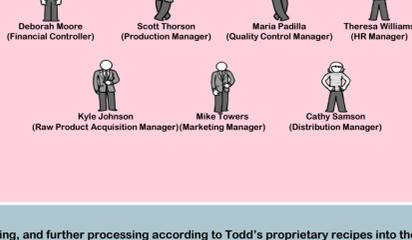
One of Todd's friends suggested to set up an advisory board of trusted mentors to advise him on jugular issues in an informal way. Todd asked his primary mentor, Sean, along with Bill Burke, the designer of Todd's primary berry-making equipment, and Sandra from Synergy, to act as his informal advisory panel.



HIRE

Todd was ready to enter the next, most challenging phase of being an entrepreneur: hiring and dealing with employees. Todd convened his advisory board, and laid out his concerns that he needed a financial controller, production manager, quality control manager, marketing manager, raw product acquisition manager, and distribution manager. Sean knew a good financial accountant and after a thorough, two-hour conversation, Todd was satisfied that Deborah Moore would do a fine job. The advisory board members proposed to create a competency model for each of the identified managerial positions. They also needed to know what kind of specific business results Todd expected from each manager. Todd had begun interviewing managerial candidates for the various positions, and hired Scott Thorson, Maria Padilla, Kyle Johnson, Mike Towers and Cathy Samson. The management team was complete when Todd hired Teresa Williams as HR manager. She served as a lever in establishing competency models and determination of business results expectations. This resulted in the acquisition of six team leaders and eight jobs represented by the one hundred seasonal workers.

Management



PRODUCE

On June 30th 2004 the first loads of berries rolled into the factory for weighing, grading and washing, and further processing according to Todd's proprietary recipes into the kind of products that he was confident would make a big splash in the market.



TURNING POINT



GROW

Four years later BerryWay had gone on to take a ten percent share of the fruit condiment market thanks to his superb cost structure and also due to the excellence of his sales and marketing team. His clearly articulated business strategy was unfolding better than Todd could have hoped.



WORRY

Still, things could be better. Scott didn't like to make decisions quickly, especially when it came to people. The conflicts in Todd's team were eating away at a point where Scott's slow acid bath. Furthermore, Todd's open door policy resulted in many employees coming to him directly with issues and problems. Things were reaching a moment where Scott's inability to deal with people issues was starting to overwhelm his ability to resolve technical production concerns and drive production. Todd's other source of concern involved Kyle. Although Todd knew and appreciated Kyle's strengths, the quality of the berries and fruits had started to slip. Complicating his calculus, Todd was developing an entrepreneurial strategy to create an entirely new company, one with a fuller line of products.



WONDER

Todd began to wonder why people in the workplace can't hold each other accountable for performance?. When he started the factory, he hadn't given much thought to the notion of organization structure, adopting the same structure as the traditional hierarchical, unionized plant fifty miles away. At the time, Todd thought that must be the way to go: bring in managers, put staff under the managers, and let the managers manage the staff. Have a hierarchy of bosses, and let the subordinates answer to the bosses for their day-to-day performance. Have the bosses appraise performance and hand out any bonuses or pats on the back, as well as discipline. Direction and strategy will come from the top, and be communicated to the managers. Then they chunk the information down to their subordinates in bite-sized pieces. It seemed to make sense at the time, but did it? Todd was beginning to lose confidence in the traditional organizational structure he had adopted. There had to be a better way!

Traditional Hierarchical Structure



A NEW BEGINNING



DEFINE

It was time to blow up the old structure. It occurred to Todd that the ideal organization structure should be flat. A flat structure would require **no titles**: all employees would be on the same footing with respect to each other. There would be **no command authority**: all conceivable decisions in his business could be made and carried out through persuasion. **No one would have unilateral authority over any other person** in his organization, **including the authority to fire**. In a flat organization without titles there would be a need for a term better reflect the relationship of his employees to the company and to each other. Todd settled on **'colleague'** and from now on. Todd also reflected that **coaching and mentoring** was the model he wanted to adopt and infuse throughout his organization. He wanted colleagues to be able to provide feedback to each other with a coaching approach, rather than just a throwing their weight around and pointing out mistakes. However, Todd recognized that there would be situations that would call for colleagues to hold another accountable. There would have to be a **process** in place in order to continue to achieve the mission of the company. Have a direct conversation with the person. If a discussion between two colleagues didn't resolve the issue, there would have to be a fresh set of eyes to examine the facts and circumstances: a mediator. If an difference of opinion could not be resolved by direct discussion or mediation, then it would be necessary to convene a panel of colleagues to hear both sides. If the panel became deadlocked, then Todd would participate in the deliberations and render a final decision. Todd's new organization was going to be based on **freedom** and decided that no term better described what he was considering than **Self-Management**.



PRESENT

It was time for a company meeting in order to involve Todd's management team in the discussion about using self-management as an organizing principle for the business. There are two basic principles of human interaction that lead to abundance, happiness and prosperity.

One is that **no person should use force against another**. Todd wanted to obliterate all hierarchy in his organization, beginning as soon as possible. Todd concluded that the use of force is wrong - force represents coercion against another person or their property. To tell a person what to do on the job when you have the power to help or hurt a person's career is, in effect, coercion. If your path is superior to that of your colleague, you should be able to persuade them of the benefit of taking a different path. It is imperative that people talk to each other before decisions get made. This will result in better decisions being made, since they will be made with the best available information from those affected.

Second, **people should keep their commitments**. Keeping your commitments creates economic value and makes you as an individual and the enterprise you work within more valuable. The cost of doing business with integrity-and-reliability-branded people is lower, and thus more 'profitable' transact business with. The more profitable it is to do business with you, the more people want to work with you, and the more opportunities you have - that's how people and companies grow.

Since this change was so large, Todd was willing to discuss it, hold meetings on it, and evaluate concerns for the next three months. All Todd asked in return was that if someone expressed concerns and doubts about the change he was proposing, that those concerns be as concrete and specific as possible.

Self-Management

Keeping Commitments No Use of Force

No Titles

No Command Authority

No Unilateral Authority to Fire

Colleagues

Coaching and Mentoring Culture

Accountability Process

Freedom



TO SET THE BALL ROLLING



SHOW THE WAY

Todd shared his impressions of the colleague meeting about self-management with the advisory board. He indicated that most managers, apart from Scott, were pretty quiet and were struggling to get their heads around it. They were not used to a work environment where there aren't any human bosses. People are used to having a boss. And they do have bosses in a self-managed environment. They are their own bosses. And beyond that, the mission of the company is their boss - it should lead their actions on behalf of the company. And even beyond that - each and every commitment that they make and the colleague to whom they make the commitment, is their boss for that commitment. So our colleagues will have more bosses than ever before under self-management. Todd had to find a way to communicate that fact so it's understood. The next step was that any organizational culture change needs a role model - Todd was that role model to show the way.

It was time for a next management meeting: Todd had got to get some more unvarnished feedback on Deborah, Maria, Kyle, Mike, Teresa, Cathy and Scott their insights into the reaction to previous meeting. Todd needed to know what the concerns were so he could be prepared for them when they came up.

This was the feedback that was given by his management team:



Scott

"I'm having a hard time digesting your presentation. After thinking it over, and doing some reading on my own, I still can't come to the conclusion that the benefits of self-management outweigh the risks. Right now, I'm agnostic on self-management and need to hear more. And form what I'm hearing through the grapevine, I think most of the production technical leaders have concerns as well."



Maria

"I'm concerned about the Quality Control department. They've been having small, closed meetings about these proposed changes, and I haven't been invited. One of my lab techs said that if they can't figure out who the boss is, they would rather work for a company that's more understandable. I'm also concerned that our best lab technician might be interested in the possibility of unionization."



Mike

"I think this is fabulous. Sales and marketing people are natural self-managers anyway. This will provide added motivation for them and I can't wait to see how they perform as self-managed professionals. I'm totally onboard with your ideas."



Teresa

"Self-management can only make my job easier. As long as I don't receive a pay cut, I couldn't be more enthusiastic about it. I love the idea of people taking care of their own people issue, rather than dumping them on HR!"



Kyle

Kyle met his question with an awkward silence: "..."



Cathy

"No problems with the distribution team, as far as I can tell. Everyone was enthusiastic about self-management. The part about being a true professional really resonated with people. You can count on me to communicate with the team about this."



Deborah

"The accounting staff is completely on board with self-management. And I think you know that I'd be happy to cheerlead the process."



BRAINSTORM

Todd had Deborah set up another all-hands meeting to discuss self-management as an organizing principle through brainstorm sessions. One of the subjects discussed was the **accountability process** - that it requires a certain amount of courage on the part of all of the colleagues to make it work. It will take some guts, and this system may not be for everybody. The next subject discussed was the **Coaching and Mentoring Culture** - both to improve effectiveness at work and to help figure out career paths and relationships. Also **freedom** was discussed - in an environment of freedom, you know how to do your own job better than anyone else, and you should be free to make it better. Furthermore, the **mission** was discussed - the mission is vital in self-management: it answers the question 'why do we exist?', 'why are we here?' and 'what is our purpose?'. The mission should guide the actions of each one of us, and play a vital role in conflict resolution. Self-management will require a set of **core values and principles** and a conflict resolution process was one of them. Additional principles were appointed like *finding opportunity in conflict* and the creation of *win-win agreements*. To follow up on the brainstorm sessions, Todd suggested that whoever was interested in crafting a statement of values and principles engage with other self-managers to voluntarily come together and make it happen. At the end of the meeting Scott asked what the difference is between **self-management** and **employee empowerment**. Scott answered that self-management is beyond empowerment. Self-management is power itself.



QUIT

Todd's cell phone began to buzz. It was Kyle and he quit along with three of his field department aces. Todd realized that no matter how much cheerleading he did for the idea of self-management, not everyone was going to see things his way. Every individual would have a different calculus regarding the advantages and disadvantages.



ARROWS FOR THE QUIVER



SPEED UP

Todd met again with his advisory board. They were eager to find out about the progress of self-management. Todd felt a definite momentum shift in favor of the concept of self-management and a lot of volunteers offered to help craft the mission and vision statements. However, Todd had one very serious concern: the grapevine is humming to the effect that there is a unionization campaign going on. Bill indicated that Todd needed to get up to speed, along with his key leaders - anyone who could be considered a 'supervisor' under the law, so that Todd didn't hand the union any ammunition - subsequently Heather Kay was welcomed as a business attorney.



PUT SOME RESOURCES IN PLACE

Todd met with Deborah and came to the conclusion that some resources should be made in place so that people can self-manage effectively.

Todd asked Deborah to get with Heather and work with her to draft a simple document - the **'Colleague Accountability Agreement'**. Todd wanted every colleague to have an explicit agreement outlining his or her 'deal' as a colleague. So that every person has absolutely no doubt about why they are here and what results they are expected to deliver.

Todd had been thinking about how to provide feedback in a self-managed ecosystem. In a traditional hierarchy, there were managers and all manner of superiors around to tell people how well they are doing. In self-management, each individual would have to be able to gauge his or her own performance and adjust accordingly. Mike explained that in his previous company every job was assigned **Key Performance Indicators (KPIs)**. They were represented by graphs and were posted on a 'KPI wall' so results were visible to everyone. Also there was a 360-degree evaluation. The explanation was that while KPIs could measure items that were easy to measure, the 360-degree evaluation took into account the thousands of observations that your peers have of you throughout the year. Todd requested his management to survey all the job, think about the results where someone is responsible for, ask themselves how to know if someone is doing a good job or not and design a way to measure and report the answer.

Additionally Todd thought it would be necessary to rigorously identify all business processes. Defined processes become elements of the Colleague Accountability Agreements (CAAs), along with their associated KPIs. CAAs and KPIs define the accountability to each other and to the mission - but accountability for what? The **process map** supplies the what: every colleague becomes a steward for specific processes or activities within a process, with customers and suppliers to whom he or she is accountable.

Todd also wanted to establish a **corporate university**. On the one hand for orientation for new colleagues to drive the concept of self-management. On the other hand courses that enhance the success of self-management after orientation, such as how to take initiative, to resolve conflicts, to communicate effectively, to lead, negotiate and collaborate.

Colleague Accountability Agreement



Key Performance Indicators (KPIs)



Process Map



Corporate University



REFINE

Todd stated that in a self-managed company **leadership** is needed more than ever. Leadership is what drives progress. Leadership in a self-managed environment is different, however. In a self-managed environment, leadership is earned, not granted. The person earning a position of leadership is the person with the most expertise to bring to bear on a particular problem or situation. And positions of leadership aren't permanent. They revolve, depending on who has the most ability to deal with a situation, and whether people trust that person enough to follow him or her.

Todd asked Teresa to design a **mentoring program** for all new colleagues and anyone who wants to participate to support the coaching and mentoring culture.

Part of the Colleague Accountability Agreement has to do with **decision rights**. The person with the greatest expertise to bring to bear on a decision should collaborate with fellow colleagues and be the person making the decision. Todd's proposal was to have decision rights assigned to each process that requires a decision.

To understand the competing demands of business, Todd liked each area to have its own **profit and loss statement** and **balance sheet**. The concept is one of business units.

Todd also wanted everyone to **determine their own salary** within certain ranges based on common sense - colleagues are expected to perform to whatever salary level selected.



FINISH

In conclusion an all-hands meeting was conducted by Todd to tie everything together, and to start a countdown to self-management. Todd articulated the reasoning behind each initiative, answered all questions, introduced his advisory team to his colleagues.



ACID TEST



NURTURE

Just before the launch of self-management Todd appeared to be sick for a long period. Deborah asked if the launch be held off and Todd answered: *"Absolutely not! If anything, this will be the acid test. If a company can continue to function, without its ostensible leader, it can't help but strengthen and validate self-management. Sean will assume the duties of president if anything happens to me. He will step into my shoes and have legal responsibility and authority for BerryWay."*

After Todd was recovered it turned out that self-management had worked. However, a number lab technicians as well as Scott quit right after the declaration of self-management.

Todd realized that nurturing the culture of BerryWay was his most important role. The new culture would obviate the need to manage others - as long as BerryWay's processes supported and strengthened it.

