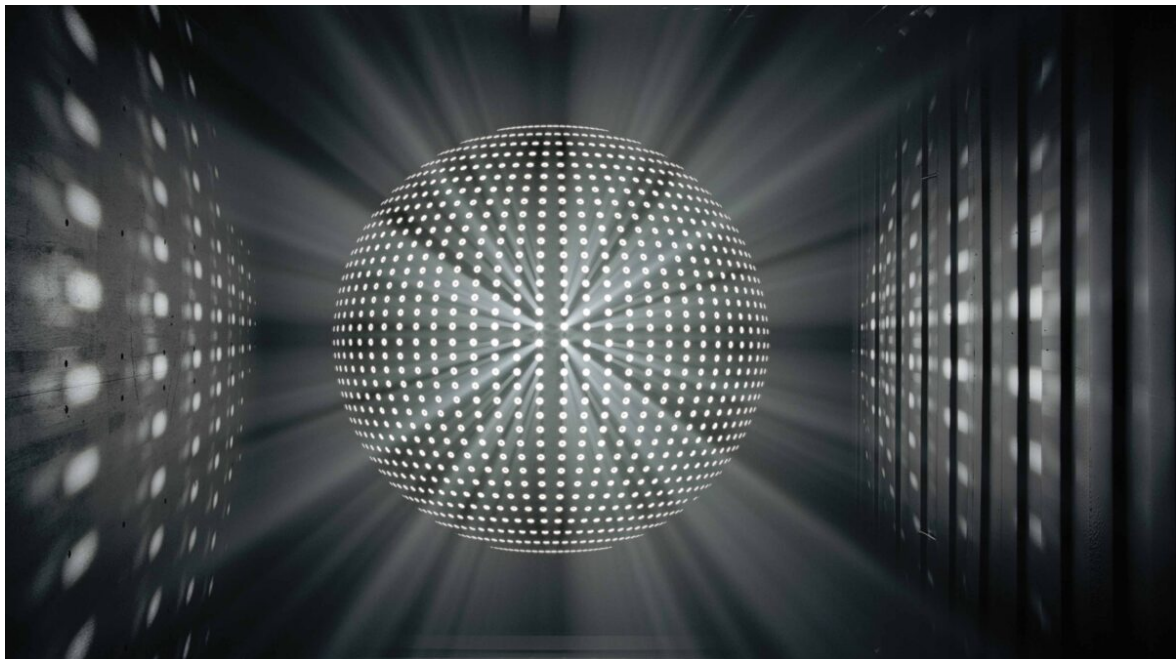


Organizational Decision Making

The Permissionless Corporation

by Rita McGrath and Ram Charan

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James Nizam

Summary. Digital technologies are pushing decision-making ability to the edges of the organization, allowing businesses to adopt structures that are flatter and more reconfigurable than those they have traditionally used. When AI and other software make information... [more](#)

The idea that digital technologies are fundamentally changing knowledge work is not new. We've been talking about the paperless office for decades. But what is less well understood is just how far technology can push decision-making to the edges of

the organization, allowing businesses to adopt structures that are flatter and more reconfigurable than those they've traditionally used.

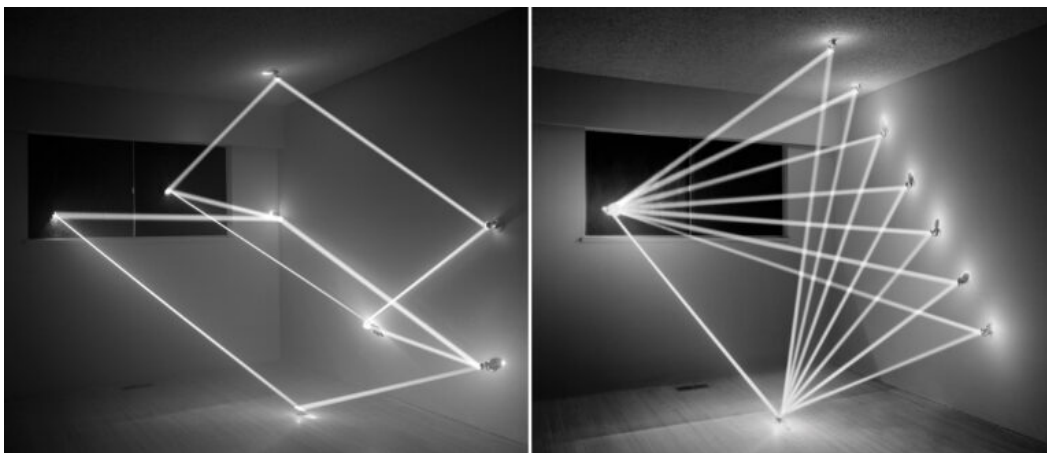
AI and other software can create a single source of the truth and make information transparent to all authorized decision-makers on the front lines, feeding it to them directly and without filters. That means silos and layers can give way to small teams, equipped with all the competencies needed to see a project through from beginning to end. In short, new technology lets managers make decisions and experiment in a decentralized way that enables both independence and accountability at the team level.

Welcome to what Michael J. Sikorsky has called the *permissionless organization*—one that uses digital technologies to unleash the creative and collaborative potential of people rather than trapping them in endless reporting and coordination loops. Its structure has far fewer hierarchical layers. One layer is likely to be customer facing, where teams work with customers and clients. There is likely to be a strategic layer, in which teams determine how strategy, budgeting, project governance, and incentives are aligned; set portfolio priorities; and specify how the organization fits into its legal and regulatory environment. There is also likely to be an operational layer that manages offerings. Finally, there will be a layer that coordinates among the project teams.

Getting to such a structure won't happen through incremental efforts—streamlining a process here or there or taking out a layer of traditional structure. It requires a complete rethink of how people should work, giving careful consideration to how and where digital technologies can be leveraged to make it easier for the people closest to the customer to add value. In the following pages we describe the work practices that make the permissionless organization possible, using examples of companies that are already on the path to transformation.

Sweat the Metrics

Modern IT enables teams of people to contribute to, observe, modify, and leverage flows of information, eliminating the need for layers of management to track progress and keep others informed. But to harness IT properly, companies need rock-ribbed discipline. Most companies suffer from “digital sprawl.” They store information in a disjointed, incompatible way. According to research by Salesforce, a typical large organization has more than 900 applications running, but only 27% of them are integrated to work together.



James Nizam uses light to create geometric forms and sculptures, which he captures through photography through in-camera techniques.

Amazon is an exception: It is one of the most ardent implementers of digital metrics, which help teams understand the causal relationship between their actions and their results. The metrics are categorized into two groups: controllable input metrics and output metrics. The input metrics are leading indicators, while the output ones are lagging. Amazon develops

new metrics through a process borrowed from Six Sigma called “define, measure, analyze, improve, and control,” or DMAIC. Identifying metrics is experimental at first, until causal mechanisms can be established between the leading and lagging indicators.

Colin Bryar and Bill Carr, authors of a book about the company, *Working Backwards*, offer an illustration. In the early days of its expansion from books into other categories, Amazon assumed that the more product detail pages it had on its website, the greater selection customers would have, and that would lead to more sales. The result was an explosion in new detail pages as the retail teams responded to the metric. Unfortunately, all those extra choices did not result in more sales (the output metric). Even worse, when members of the metrics team dug into the issue, they realized that the retail teams were adding items that were not in high demand just to increase the number of pages they posted (their controllable input metric).

As the company learned what would drive the desired result, it adapted its performance metric. Amazon initially measured the number of page views (so that teams didn’t get credit for a new detail page if customers didn’t view it) but then adjusted it to the percentage of detail page views for products that were in stock (so that teams wouldn’t get credit if they added items but couldn’t keep them in stock). Eventually it settled on tracking the percentage of detail page views for products that were in stock and ready for two-day shipping, which ended up being called “fast track in stock.”

Amazon does this sort of testing and refining for every one of the thousands of metrics it uses to run its business. It’s time-consuming to get right, but it allows teams to self-manage using metrics that everyone agrees represent the truth. Once a solid set of measures are in place, a business group enters what Amazon

calls the “control phase.” In this phase, confidence is high enough that the metric is capturing the right information that human intervention is needed only for exceptions.

In a permissionless organization, teams are given guardrails rather than forced to work their way through tollgates. Approvals are part of the process; they don’t stop the process.

Metrics are discussed at WBR meetings, or weekly business reviews. These meetings begin at the most senior levels, and each level of the organization holds them, informed by the WBR of the level above. Notably, because there is alignment and clarity about what each metric means, the data speaks more or less for itself. The team responsible for a given set of metrics reports on them, and the group determines what actions should be taken to address anomalies.

Business unit leaders are expected to be fully prepared to offer an explanation for why the metrics are deviating from expectations or what the process to figure out the explanation will be. They also examine anecdotal evidence of deviations from norms and expectations that could be leading signals for some emerging trend or important change in the business environment.

Bring the Information to the Front Line

Another way digital technologies are changing how work is done is with software that simulates real-life situations. Consider the 112-year-old Kone Corporation, which makes elevators, escalators, moving walkways, and automatic doors. About 30% of its revenue comes from providing maintenance services. A company analysis found that something seemingly simple—such as locating a problem elevator on a large campus—could take as much as half

the time required for a service call. One of Kone's solutions is to lean on digital representations of real places through building information modeling (BIM). BIM provides a virtual representation of all the characteristics of a building and its site. It is a shared knowledge resource that can be used by anyone who needs to coordinate work on a building—from initial construction to maintenance and remodeling. For instance, should a building owner suspect a leak, he might consult the virtual model of the building in the BIM, figure out where valves are located, and home in on the likely cause before sending someone to the building.

Using its BIM, Kone can now put knowledge right in the hands of the appropriate service person, facilitating faster problem resolution. On-site supervision that at one point needed to be coordinated by a human being can be conducted largely using digital technologies. Using BIM also accelerates tasks such as choosing which components should go into a new elevator and how much space to allow for elevators and escalators, activities that once depended on physical drawings and calculations and later on computer-aided design technologies.

Kone is also using BIM to vastly increase ease of use for architects and building designers. It has made several tools available for free to customers: The “elevator planner” and “escalator planner” allow an architect to enter some simple information about a project, and the system, which consists of 3D-modeling software connected to a database, produces relevant specifications. The Kone Car Designer helps people envision what the inside of the elevator car will look like.

By creating digital representations of physical objects that many team members can collaborate on, BIM reduces the need for coordination meetings and, more important, rework when one part of the specification changes but the impact on the design as a

whole is not understood. The system is programmed to identify interdependencies and catches potential problems before they are built into the final product.

Communicate Context

People can operate without coordinating functions such as committees, stage gates, and approvals only if they are clear on the context for their work—if they see how their work fits into a larger whole, as well as how their activities are aligned with those of other teams.

Salesforce's First V2MOM

In 1999, the story goes, Marc Benioff scribbled Salesforce's original V2MOM, an outline of the company's vision, values, methods, obstacles, and measures of success, on the back of an envelope. Salesforce cofounder Parker Harris reportedly framed the document and presented it to Benioff when the company went through an IPO, in 2004.



Salesforce's alignment methodology, called V2MOM (“vision, values, methods, obstacles, and measures”), is an example of both setting the context and letting technology coordinate activities among interdependent individuals. All employees and teams generate a V2MOM, a document that essentially replaces hierarchy and organizational charts at Salesforce. Each document seeks to answer the following questions.

- *Vision*: What do you want to achieve?

- *Values*: What's important to you?
- *Methods*: How do you get it?
- *Obstacles*: What's preventing you from being successful?
- *Measures*: How will you know you've been successful?

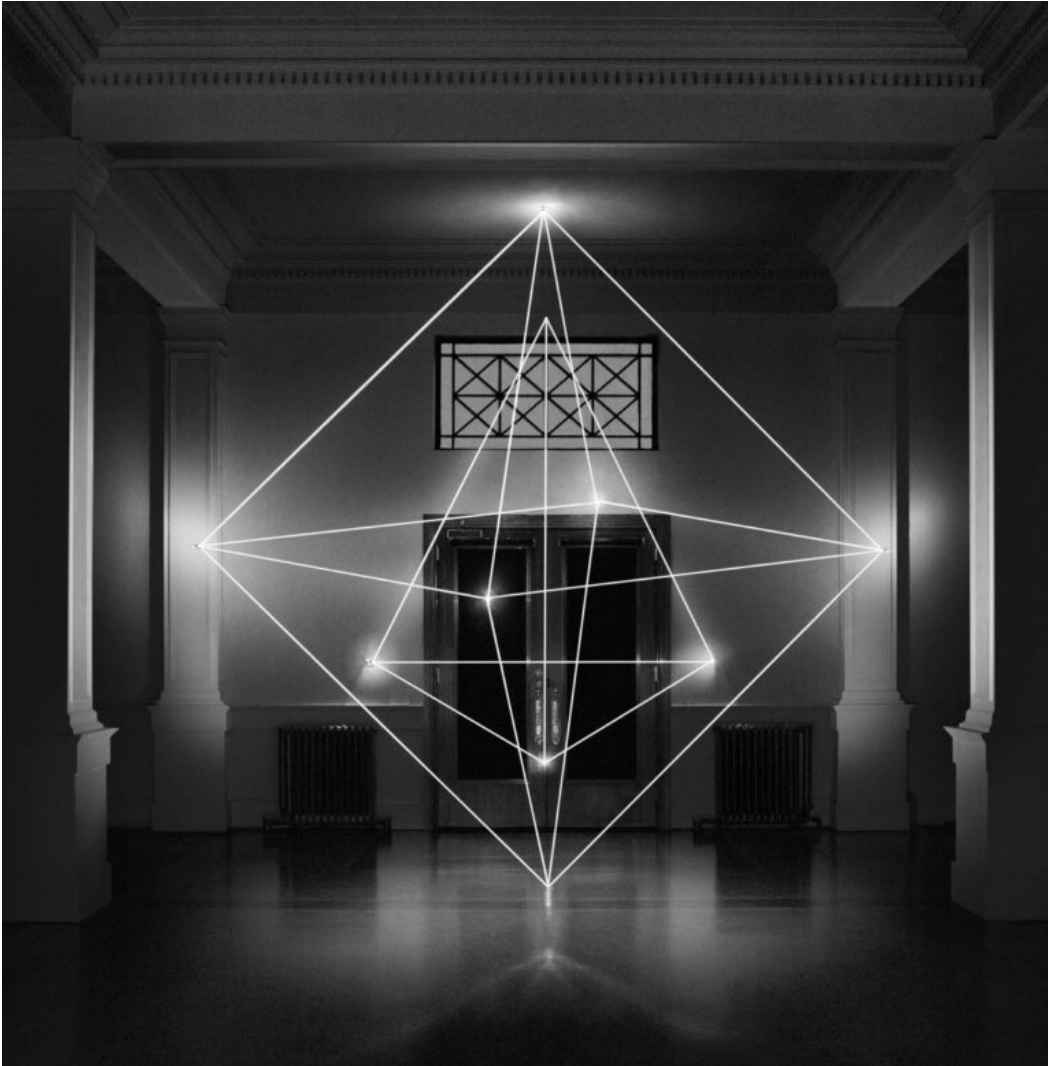
The corporate V2MOM document is updated annually and cascaded throughout the organization. That helps each function, team, and individual create one for themselves that captures how their initiatives fit into the larger picture. Annie Ng, a senior strategic enterprise sales director, explains, "Since we create our V2MOMs within our Salesforce platform, everyone can see everyone else's V2MOM at the click of a button! The V2MOM is a living document that's intended to spark meaningful dialogue and inform decision-making throughout the year. Employees engage in conversations with their managers around their priorities on an ongoing basis." In fact, it's considered poor form to ask anyone to work on something that isn't part of his own V2MOM.

Switch to Multifunctional Teamwork

In traditional structures, solving a customer problem often calls for coordinating activities among multiple parts of an organization. Things can move only as fast as the slowest party involved. But imagine creating teams that contain all the needed capabilities and have clear processes for getting help from outside the team—such as support from compliance, legal, and HR. Customer issues would no longer be splintered among different work groups, and everybody could focus on identifying, developing, and implementing the best solution.

In a permissionless organization, teams are given guardrails rather than forced to work their way through tollgates. Approvals are part of the process; they don't stop the process. Permissionless corporations eliminate handoffs as much as possible. Teams use self-service capabilities built by support teams and avoid having to wait to become a priority. Further, they can tap into narrow

expertise they don't possess, in areas such as compliance and security. There is no need to go back and forth with people from other units because every unit has the skills and authority it needs to make decisions for itself.



James Nizam

The emergence of remote work on a large scale has brought to the fore a vast number of tools that help coordinate the work of people with multiple talents and specialties. Matt Mullenweg, a cofounder of Automattic, the company behind WordPress and other digital tools, describes how firms can move from conventional working arrangements to ones that allow employees to tap into one another's expertise.

In a podcast, Mullenweg explains the evolution of the typical office from hidebound bureaucracy to high-performing, technology-mediated operation. He frames it in terms of five

levels of the journey from a traditional office environment to a tech-enabled “nirvana,” a (so far) theoretical end state in which a company’s tech-enabled workplace culture is healthier and more efficient than what any in-person working environment could produce.

At level one (the traditional office), work is coordinated by people via meetings and other communication tools such as PowerPoint. Level two mimics that same form of coordination but without everyone together in one place. It’s a digital copy of the in-person office, with hours of Zoom calls, the expectation that everyone will work to the same schedule, coordination by people—or even worse, by surveillance technology—and the expectation that career progress involves some level of promotion up a hierarchy.

Companies move beyond level two when they start to deploy tools that allow many people to coordinate activities across distance and disciplines. New tools—chat and messaging apps, different mechanisms for visual conversations, and various collaboration platforms—are widely used in level three.

At level four, the organization enters a phase Mullenweg calls “async,” in which it rethinks how work gets done in order to use technology to achieve coordination and alignment. Transitioning to async involves making key shifts in both the technologies used and the process design. For example, people move from email and instant messaging to task boards that are updated in real time. And instead of convening meetings on an ad hoc basis, teams set aside blocks of time for open hours during which they are free to meet. (See the exhibit “Toward Organizational Nirvana” for a summary of the shifts involved.)

Toward Organizational Nirvana

Achieving asynchronous work practices, the final step before reaching the theoretically ideal work organization identified by Automattic cofounder Matt Mullenweg, requires companies to make the following shifts in technologies and work

processes:

From	To
Email, instant messages, and texts	Task boards, visible to all, updated in real time
Indiscriminate booking of meetings	Office hours with time for deep work and open hours during times that suit the most people
Sending around documents and trying to manage version control	Sharing documents that people can update collaboratively in real time
Metrics captured by traditional mechanisms, mostly lagging indicators	Leading indicators captured digitally as work flows through the system
An expectation that everyone needs to be present in some way to achieve coordination	An expectation that most work can be conducted asynchronously with joint presence reserved for when it adds unique value

Operating at the async level relies more heavily on carefully crafted written communication than on the casual conversations of a traditional office. That offers advantages in that neurally different and physically disabled workers can participate effectively, increasing the pool of talent an organization can tap into. As Tiffani Bova, sales innovation evangelist at Salesforce, tells us, her company is finding that operating in async mode is enlightening and successful.

Of course humans are social creatures, so even in distributed working environments there is a need for bonding and trust. Automattic fosters them by letting employees work remotely for 11 months but reserving the remaining month for in-person events. Technology developed at the company tracks who knows and is connected to whom to facilitate in-person interactions (as opposed to random networking). While Automattic's solution

emphasizes dispersed working, conventional organizations that seek to use technology to work in a new way could apply similar principles.

Leading the Transformation

Re-architecting a company to capitalize on digital breakthroughs requires determined leadership. The change will be an enormous disruption in a social system. Those who enjoyed the perks of the former environment are likely to resist. The flatter hierarchies of revamped organizations will require a new definition of what career progress is. It may now stem more from an increase in skills and capabilities than from a hierarchical promotion.

A good example of how to overcome such challenges comes from Kathleen Murphy, the former president of Fidelity Personal Investments. She explains her reasons for joining the group in 2009: “One, putting the customer first. Two, there was so much possibility to transform how financial services are delivered. Three, the people here. The team is so important to me. I...was always really impressed by the values of the firm.”

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By 2014 she was overseeing 15 million customer accounts, 12,000 employees, and more than \$1.7 trillion in customer assets. But despite great results she had a sense of unease about the future. Fintech start-ups were nibbling away at the structure of the entire banking sector. As she puts it, “Disruptors were entering the space with a fresh perspective about what clients really value and how to simplify the overall customer experience using digital capabilities.” She felt that the company had become way too focused on products and was not keeping up with what customers were experiencing.

She reached out to us for help addressing these issues, and so began what proved to be a radical transformation at Fidelity. The process had several stages.

1. Find the problem. Murphy began by diagnosing how people worked. She asked two of her direct reports to analyze how each person in one of Fidelity's business units was spending his or her time. The first insight was that the hundred or so people in that unit were each working on 10 different things at any given time. And those 10 things differed from person to person. Moreover, each project involved multiple people who needed to coordinate with one another, which meant a significant amount of time was spent on meetings just to make sure everybody's activities were aligned. People in "business analyst" roles coordinated activities among the people working on digital systems projects and the people with information about products and customers. Information was passed along when someone completed his part of the project in a sequential manner. And worst of all, the functional silos meant that an idea could be very far along before critical units such as marketing were brought into decisions.

2. Set up a pilot. Following these findings, Murphy instituted a pilot program in 2016, which adopted some of the practices we've described. One of the unit's groups was broken into small teams. Each included representatives from all the functions whose expertise would be required. And most important, each team had just one customer objective to focus on, and it would manage an entire project from start to finish. Murphy insisted on candid, direct communication among team members. As she explains, "Too often in big companies, bureaucracies grow up, and there's the meeting before the meeting and the meeting after the meeting. They sand down the direct communication. We want to make sure we are attacking the exact issues and moving forward together to solve those problems. If you don't have candor, you can't move as quickly solving those problems." The success of the pilot led to a small rollout. Eventually, it became the way the

whole division worked.

When people saw that leaders weren't going to be promoted on the old metrics of command-and-control, they began to trust that the new system was there to stay.

The early results of this approach were astonishing: Compared with the conventional model, the integrated teams reduced the time it would normally take to deliver a feature by 75%. Spurred by this success, Murphy converted her entire division to working in this manner; team assignments were driven by customer insights, decisions were made within the teams, and many coordination and approval steps were eliminated. At any one time there could be as many as 187 groups of people with decision rights. This system replaced a system of control in which there could be as many as eight organizational layers. The number of layers collapsed to three, even as the number of decision-makers increased dramatically. The number of teams could be expanded or contracted according to need, which had not been the case before.

3. Look for leaders who make other people smarter. Using the leadership expert Liz Wiseman's framework of multipliers and diminishers, Murphy gave leadership responsibilities to those who exhibited "multiplying" behaviors—meaning that they amplified the skills of everyone around them (as opposed to "diminishing" behaviors, which drain energy and discourage followers from contributing). When people saw that she really meant it—that leaders weren't going to be promoted on the old metrics of command-and-control, they began to trust that the new system was there to stay.

Not everyone was overjoyed. People who measured their career progress in terms of hierarchy were dismayed by the flattened organization. People who couldn't let go of their command-and-control tendencies were not effective facilitators of permissionless teams. So Murphy had to find new roles for them elsewhere in the company or let them find jobs outside it.

4. Communicate, communicate, communicate. Murphy devoted an enormous amount of time to answering questions and communicating why the change was important. For example, in a weekly global webcast called *Stand and Deliver*, she invited anyone in the organization to ask her questions, which she answered with candor. In one of the sessions she was asked what the plan was if this didn't work. She recounts, "I said simply, there is no Plan B. I used the story of burning the boats to emphasize my commitment and conviction. It was important for everyone to know we were 'all in' at the leadership level. Half measures and hedging weren't going to drive a fundamental digital transformation. No Plan B. Make Plan A work."



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The new structure led directly to market-defining innovation, such as the 2018 launch of Fidelity Zero, a set of index funds with no fees. Fidelity Zero was possible because the products were relatively inexpensive to offer, given the company's digital infrastructure, and provided an entry-level route for new customers, especially younger ones, to become part of Fidelity's ecosystem. As Murphy explains: "It's not about necessarily wanting to make money on every transaction; it's about sharing

value and essentially hoping that they will turn to Fidelity over the course of their lifetime. I regard zero-fee mutual funds as an investment in our client base and a way in particular for younger people to get started on investing.”

As Murphy’s story demonstrates, customer-centric decision units can be positioned without any layers between them and the customer. Each unit can determine the right mix of resources, budgets, decision rights and rules, and key performance indicators within a clearly defined strategic context. A combination of sensors and metrics allows performance to be self-managed and course corrections made without managerial intervention. The approach can be applied across decision units, wherever there is a need for no layers between a unit and the final recipient of its outputs. It is a foundation for high-quality and timely decision-making. Murphy’s group was able to do it. Yours can too.

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In the permissionless corporation, fast, inexpensive experimentation takes over from slow, involved analysis, enabling organizations to pounce on opportunities as they arise. And at a time when speed and adaptability, rather than predictability and consistency, are the main sources of competitive advantage in a product-centric world, a model that allows people close to the customer to make as many decisions as possible is valuable. Companies with three or four layers, faster problem-solving, and a permissionless mindset will outcompete traditional players with 10 layers and slow decision-making processes. In fact, though it may take time, we anticipate that organizations that operate in the traditional way will eventually cease to exist.

A version of this article appeared in the January–February 2023 issue of *Harvard Business Review*.

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