

How Structure, Process, and Rules Make People Free

Key Takeaways

- There is a widespread myth that if a company has "good" people, it should avoid structure, processes and rules like the plague. Structure, processes and rules create bureaucracy and bureaucracy is the enemy
- Yet, when companies grow in size and complexity, bureaucracy seems to inevitably creep up, the environment becomes a political minefield, and people feel a loss of autonomy and empowerment
- Nurturing a culture of freedom and responsibility at scale is not just a people problem and it's not just a matter of having better leaders; it's an **organizational design problem**
- While bureaucracy is toxic, the alternative to bureaucracy is not a "no rules policy"; it's having the kind of rules that embed important values and operating principles in the fabric of how we work
- A true culture of freedom and responsibility is built on the right kind of rules, structures and processes that make autonomous decision-making effective at scale

There is a widespread belief that rules, structure and processes inhibit freedom and that organizations that want to build a culture of autonomy and performance need to avoid them like the plague.

In this article we want to debunk that myth. Rules and processes are different from bureaucracy; true freedom doesn't exist without the right kind of constraints, and sustained performance is enabled by thoughtfully designed rules, structures and processes.

The problem: when the free become the unfree

Jane is a senior UX designer in a fast-growing tech company and **she used to love her job**.

When she started a few years back, right after the company successfully closed a big round of funding, she was over the moon.

The company had a cool office with tons of free snacks, she could dress however she liked, had flexible workhours, unlimited vacation days and could regularly work from home.

But the best part was the **company culture**.

Back then, they didn't have much by way of *rules, structure, and processes*. The founders didn't want them to get in the way of freedom, responsibility and performance.

Instead, they relied on a *core set of shared values and principles* to make decisions and collaborate effectively such as: "Challenge the status quo", "focus obsessively on customers", "win and lose as a team", "take some risks, and learn from failure", "spend money as if it were yours" ...

The company was small, about 50 people, but the *culture was strong*, and everyone was trusted to do what was best for customers. Ideas were judged based on their own merit, not who said it.

Mistakes sometimes happened of course, but most of the time they were seen as an opportunity to learn and improve, not something to be ashamed of.

Jane was working hard, but she felt **free, empowered, and work felt meaningful**.

And the company was doing exceptionally well. A few years later, they had grown from 50 to 1300 people, with more than half a billion dollars in revenue.

But as time went on, despite the outward success of the business, Jane became increasingly **frustrated** and began to seriously consider moving on.

Her days had become dominated by an endless series of meetings where she was either:

- trying to get "buy-in" from influential stakeholders for decisions that she and her team were perfectly able to make independently
- or trying to clarify accountability structures, decision-making authorities and conflicting priorities between teams

On a good week, 20% of her time went into creating customer value and 80% was wasted navigating the **internal complexity of the organization**.

The clarity of purpose and strategy of the early days had been replaced with a permanent state of ambiguity and confusion.

To top it all, the company had become a **political minefield** where she had to think twice about what she said to whom.

Perception management was now an important skill, because who you knew, how powerful they were, and what they thought about you, was more important in getting things done than your competence and knowledge.

She no longer felt free or **empowered**. Work had become a lot less meaningful, and she could no longer see how what she was doing every day made a difference for customers.

The cause: it's not JUST a people problem

The Jane in our story isn't a real person, but a composite one inspired by interviews we have had with many people who work at fast-growing companies. She may not be real, but her problems are - and they are widespread.

Here are some quotes from those conversations:

"Politics is now 70% of my workday"

"I need to get buy-in from three different leaders in three different parts of the org before I can make anything happen"

"Our company values don't drive everyday decisions anymore; they feel empty now"

"We spend more time trying to guess what our leaders want to hear rather than understanding what our customers really need"

"I have no idea how my project fits into the strategy of the company ... what is the company strategy anyway?"

So, what is the problem?

First, let's address the usual suspect: it's a people problem; we need better leaders.

We are often told, 'If only we had better leaders or managers, then there wouldn't be any problem.':

Good leaders would empower their teams; they wouldn't let politics get in the way, and they wouldn't let their personal agenda or ego trump the interests of the group.

Good leaders would remember that "It doesn't make sense to hire smart people and then tell them what to do; we hire smart people so they can tell us what to do." - *Steve Jobs*

Good leaders would be strategic, create clarity, have empathy, and promote transparency.

While all of that is true, blaming bad leadership is *mistaking the symptom for the cause*.

The real question is, "how do bad leaders come about in a company built on a healthy set of values and operating principles?"

It is possible to hire the wrong people of course, but if the organization had strong anti-bodies, it would quickly detect and get rid of toxic leaders.

The real problem is that **bad leaders** and dysfunctional behaviours **flourish in environments that allow them to flourish**.

When organizations grow in size and complexity and its core values and operating principles are not embedded in explicit rules, a clear structure and transparent processes, bad things start to happen:

- Power structures emerge organically based on the law of the strongest. The more powerful, aggressive and cunning are more likely to rise to the top and concentrate more power
- Core values and operating principles are interpreted inconsistently which leads to the emergence of subcultures heavily influenced by the personality of the leaders
- Those same values and principles become more and more difficult to communicate consistently to newcomers, which compounds the problem over time
- Some leaders might let their personal interests and ego override the interest of the company, which leads to turf wars, conflicting priorities and unclear accountability
- The organization becomes more complex to navigate, less stable and less predictable

The reason this is allowed to happen is a false belief - **that we can choose between having rules and having no rules**.

That is wrong. If you choose to have no rules, they will develop for themselves. And rules that develop for themselves are usually bad ones because they are arbitrary, based on power, and imposed through fear.

There are times in history when this has happened to entire societies. When the leaders of the French Revolution abolished the laws of the "Ancien Regime", the result was terror. When Russia descended into chaos after the revolution of 1917, the result was civil war and the emergence of a tyrant, Stalin, who began a sustained terror of his own. When the Weimar Republic in Germany failed in the 1920's, the result was Hitler. In our own time, as social structures weaken, strongmen like Putin or Erdogan come to power and impose personal rules of their own. Societies which abolish laws become chaotic. In chaos, there is absolute freedom. As the philosopher Hegel observed, absolute freedom is not freedom at all, but a playground for the arbitrary exercise of power, which ends in terror. In terror, only a few are free, and many are slaves.

In organizations, the removal of all constraints results in the emergence of arbitrary ones which achieve the opposite of what was intended - wasting time, a lack of focus and frustration.

The real choice we have to make is not between having rules and having no rules, but between have good rules and having bad ones.

Organizations that want to build high-performing autonomous but highly aligned teams need to embed their core values and operating principles in deliberately designed organizational systems: **structure, rules and processes.**

They create **internal predictability and simplicity** that enable the group to deal with **external uncertainty and complexity.**

Freedom and performance are enabled by the right kind of rules, structure and processes

Saying that rules, structures and processes undermine freedom is like saying that the rules of harmony, rhythm and tempo undermine music. Music without rules is just noise.

Of course, too many of the wrong kind of rules, structure and processes will suffocate talent and cripple an organization.

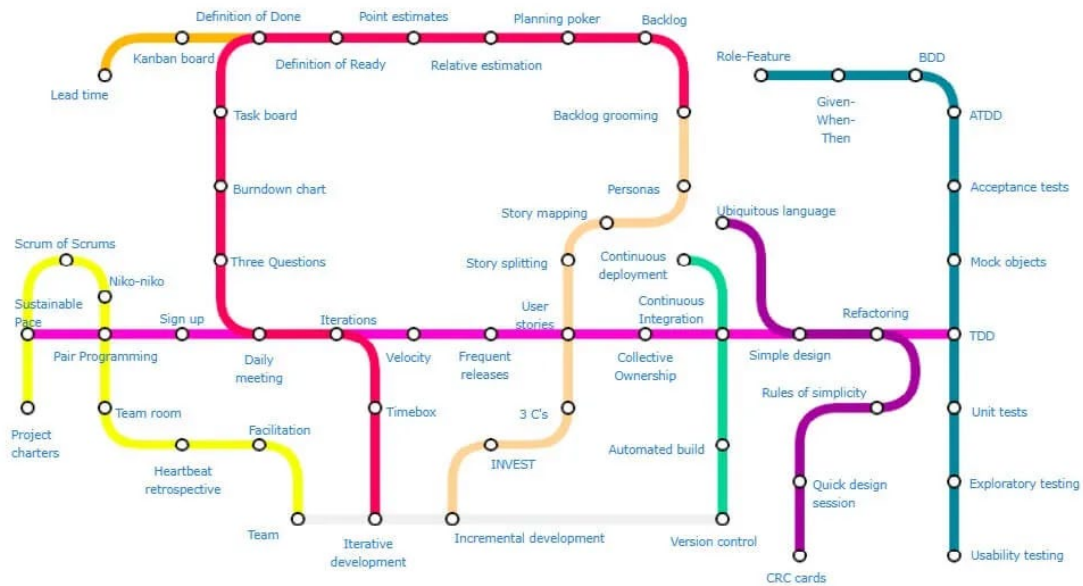
But good systems, the ones that empower, become a part of the fabric of our environment; we don't see them as a burden, and we take their benefits for granted.

Take Agile methodologies for example. Agile [is described by the Agile Alliance](#) as "*the ability to create and respond to change. It is a way of dealing with, and ultimately succeeding in, an uncertain and turbulent environment.*"

And teams that successfully implement Agile principles are often referred to as **self-organizing.**

Those teams reliably develop better products, with more innovation, less waste, and faster time to market while their members enjoy higher levels of **freedom, empowerment and autonomy.**

Many people believe that "self-organizing" is synonymous with "a group of people who work without constraints" ... but nothing could be farther from the truth.



Lines represent practices from the various Agile "tribes" or areas of concern:



Agile methodologies, like Scrum, **have precise rules, structures and processes** designed to enable self-organizing teams to consistently apply the [12 Agile principles](#).

Agile practices include daily stand-ups, regular planning meetings, reviews, retros, and demos, just to name a few. They have rigorous rules and processes to define and refine user stories, groom and prioritize the backlog, define acceptance criteria, coordinate release schedules and maintain a strong feedback loop with customers.

Agile teams don't think about their organizational systems as bureaucracy, because they promote **autonomy, transparency, and efficiency** and enable them to become **truly self-organizing**.

Agile teams' rules, structure and processes **create internal predictability** and **simplicity** that enable them to deal with **external unpredictability and complexity**. They create a common shared understanding of how things work, and so not only save time, but create the foundations of alignment.

What do good organizational systems look like?

We can get some clues from the first organization we know much about that used them to create flexibility – the Roman Army.

The earliest organisations to use hierarchy were religious ones. The word 'hierarchy' in fact comes from the Greek word meaning 'rule of a high priest'.

The Romans used hierarchy in a *secular* organization, not to create rights to carry out certain rituals, but to distribute decision-rights amongst the first known group of officers – the centurions.

They created standard processes for fighting in teams so that every legionary mastered a common way of doing things, and they had sets of rules everybody knew (for example about how to pitch a camp every night) which created reliability and enabled their centurions to focus their energy on the unique aspects of the situation they were facing. They were careful not to introduce standardisation to processes which could require different approaches under differing circumstances but kept their 'standard operating procedures' to low-level tactical activities where speed of execution and reliability were more important than creativity.

Internal predictability enabled them to deal with external unpredictability.

Before the Romans, the most successful military organization was the Greek phalanx. It was very good at concentrating mass and delivering shock if it hit the critical point, but inside the phalanx, no one could make any decisions.

It could only do three things: move forward, stop, and push. It was even very difficult for it to turn at all. There was only one decision-maker, the leader, and he could only decide to do one of those three things.

The Romans used a phalanx at Cannae in 316BC and suffered the worst defeat in their history. After that, they never used one again.

Their standard formation was some variation on three lines, each with individual leaders able to take independent decisions. **They never lost a battle against a phalanx.**

What does a good structure look like?

Good structures create a set of *distributed decision-rights* and clear relationships between teams.

A good structure is one in which the structural hierarchy reflects task hierarchy, and there is clear accountability for decision-making at each level.

For example, Agile teams have clearly defined roles - for instance product owner or scrum master - and with each role come clearly defined responsibilities and accountabilities. Organizations can create ad-hoc roles that accurately reflect how they want to work.

Decision rights should be allocated so that the person with the **best information** can make semi-autonomous decisions, and the holders of those rights should be people with the appropriate level of **competence** to exercise them.

Without structure, power rather than knowledge and competence will be the decider.

What do good rules look like?

A good rule is simple, unambiguous and applies to everyone. Simple rules create cohesion without imposing control and so enable an organisation to **deal with complexity**.

They do so by simplifying complexity and giving people criteria for making decisions without trying to predict the situation in advance.

A good rule, born out of experience, saves the group the cost of having to continuously rediscover their commitment to important principles.

Rules are found in nature. The complex foraging behaviour of ants can be explained by three simple rules: lay pheromones, find food, follow pheromones. Ants do so **by instinct** to converge spontaneously on their critical resource – food. But human beings have to be **deliberate**.

In order to create a mechanism to allow his forces to converge spontaneously on a critical point, Napoleon promulgated the rule 'always march to the sound of the guns'.

That principle was to override specific orders.

For us in business, the best rules are based on insights into the drivers of the business. We are *exercising freedom of choice in deciding what to do, and good rules guide our choices.*

If we get them right and everyone follows them, people can make better decisions **when information is limited and time is short**, and whilst all have the freedom to act flexibly depending on their specific circumstances, **the totality of everyone's actions has coherence.**

For example, a very simple rule that Jack Welch created for **General Electric** was "every GE business should be number 1 or number 2 in their respective market or get out". Very simple, very powerful.

Another example can be found at **Buurtzorg**, a Dutch healthcare organization created in 2006 with a team of 10 nurses. It is now a 14,000 strong company, organized in about 1000 self-managing teams that are supported by no more than 50 administrators, 18 coaches, and 0 managers.

Nurses are fully in charge of deciding how to administer care, without the burden of hierarchical management structures. The **golden rule** is that nurses must spend at least 61% of their time with patients.

Finally, another example in the Tech world is **SuperCell**, the leading mobile game developer behind blockbusters like Clash Royale, Clash of Clans or Hay Day.

They believe that the "best teams make the best games," and they have reflected that belief in their operating model. Each team, or Cell, operates extremely independently and has complete control over their own roadmap.

And a golden rule that aligns with that model is that development teams self-determine whether or not to launch a game, and not the CEO nor a greenlight committee. They are optimized for speed and passion, not control.

Without rules, external complexity rather than internal simplicity will drive our reactions and create paralysis.

What do good processes look like?

Thoughtfully designed **processes** enable individuals and teams to reliably apply important **principles** and consistently adopt associated **behaviors**.

For example, if we care about **having the best ideas rise to the top [the principle]**, then we might want **to consistently run meetings in a way [the process]** that will give participants **equal opportunities to speak up, regardless of the personalities or seniority of the people in the room [the behaviors]**.

Processes make desired behaviors easier to execute and embed important principles in the very fabric of how we work.

Without a process, there is a high variance in the ability of individuals and teams to adopt and execute desired behaviors, **especially if the more influential people in the room aren't consistently leading by example.**

Aspirational values can influence behaviors of course, but not reliably since they can be subject to interpretation, and how to apply them effectively may be counter intuitive.

Good processes create a **common way of working wherever it makes sense to have one.** They allow people to carry out daily tasks with maximum efficiency, based on the experience of the past.

The best ones may be counter-intuitive - lean and agile processes were not obvious but had to be learned. Processes will probably need to change as scale and complexity increase.

Without processes, habits rather than efficiency will drive working practices.

There is no such thing as absolute freedom. It is an abstraction, based purely on negation. Hegel was right - absolute concepts turn into their opposite – freedom becomes slavery.

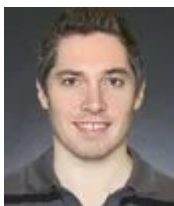
Real freedom is bounded by constraints. It is always limited. Deluding ourselves that we can have freedom without constraints will not set us free but will only allow bad limitations to arise.

To prevent that, we need to impose good limitations from the beginning. To do good work and flourish as people in effective organisations, we need to demand freedom. To achieve this we must recognise the demands that creating freedom places on us.

About the Authors



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