

Future of Business and Finance

Roland Geschwill
Martina Nieswandt

Lateral Management

A New Approach to Strategic
Transformation in the Digital Era

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Prologue: Mail-Order Companies Without Catalogues, Orchestras Without Conductors, Self-determined Footballers and Five Colours

From the Otto Catalogue to the Digital Otto Group

Quelle, Neckermann and also Otto-Versand have been legendary mail-order companies in Germany. Only the Otto Group still exists. After reunification in Germany, all three mail-order companies still had annual sales increases of 40%. Quelle became insolvent in 2009. Otto secured the trademark rights of Neckermann in 2012.

The Otto Group's digital business surpassed the traditional retail business for the first time in 2010. With "About You", it developed a unicorn: the start-up is capitalized with more than one billion euros and addresses young customers as an online retailer. Otto now works with a number of start-ups and finances them with venture capital. There was trouble in the house. Why do we cannibalize our business model with such companies? The answer: Better do it yourself before others do it. You can learn a lot from start-ups, especially in the fields of technology and culture, as the CEO Alexander Birken put it (Astheimer et al, 2018).

Cultural change in an organization also means hierarchical overrides. In positive terms, this means working across hierarchies and companies. It is also necessary to re-sort "inherited claims", which is always the most difficult process of cultural change. Responsible managers feel that their decision-making authority is limited, which rarely happens without friction and dispute on executive floors.

Insiders report that Otto did not succeed in finding an external consulting company for the cultural re-start. At the pitch, all consultations had prefabricated concept ideas as to how the group should be culturally transformed. But the future needs an origin. Corporate cultures are unique entities, developing unique things is not compatible with ready-made concepts of what corporate cultures have to look like. No consulting firm had an inductive approach in its programme.

Otto opted for monthly breaks for the Executive Board, which it called "seminars on corporate culture". The aim was to create a design for the corporate culture of the Otto Group. In concrete terms, this means breaking down roles and power positions, questioning decisions and processes, confronting the critical feedback of middle management, not seeing contradiction as an insult to majesty, accepting checks and balances, allowing authorized disobedience and possibly correcting top-down decisions. Local cultural change teams have been set up to ensure that

this does not only affect the upper management level. Cross-hierarchically and cross-functionally, they talk to those who are afraid of digital and cultural upheavals. Irritations are explicitly wanted.

This also applies to power claims at the board level. “The fact that I have a monopoly on knowledge and that everything has to be coordinated at the highest level at all times is simply no longer an option today”, says Birken (Astheimer et al, 2018) and immediately adds that this does not mean anarchy. It is a simple truth among cultural specialists that there can be no hierarchy-free spaces in human civilization. And anarchy, after all, means the absence of domination. The answer to the old formal hierarchies is flexible competence hierarchies that come together to make certain decisions. Here, too, leadership is needed, i.e. individuals who ultimately assume responsibility.

Driven by digitization, the Otto Group has found its own way of advancing technology and the new corporate culture. It was one of the first corporates to organize “screw-up” nights. Board members and employees were to talk about mistakes they were personally responsible for. After all, digitization without failure or a new culture of error is not possible.

The Otto Group has adapted its experimental gene over generations. Although the pace of digitization is increasing, solutions are being found. It also means that you have to endure losses, if necessary, for years. But since 2016 Otto has been making profits again after several years of losses!

“Creative Puzzle”

In spring 2015, the sensation was perfect. At Bosch in Stuttgart, once one of the most conservative companies in the state, ties are no longer worn. Bosch boss Dr. Volkmar Denner was the first to take it off.

Denner is a physicist and has been Chairman of the Management Board since 1 July 2012, previously Head of Research & Development. He not only brought a new sense of relaxation to the company, but also a new spirit of innovation. Even the excesses of bureaucracy were radically cut: the board also rescinded 100 instructions. Bosch has also made working hours more flexible. There is no longer any obligation to be present. Anyone can work from anywhere. However, he must log in and discuss this with his boss beforehand (Bollmann 2015). With a system he calls “Creative Puzzle”, the board of directors advertised that employees are more open to new things.

Volkmar Denner and his colleagues on the Board of Management have come a long way to anchor not only the Swabian precision but also the speed and flexibility necessary for the digital economy at Bosch. Meanwhile, there is more than just symbols. Coworking spaces instead of traditional offices, the German [colloquial 2nd person], “du”, at the first two corporate levels and investments in digital business models such as e-mobility.

In 2015, the research campus in Renningen was opened with 1,700 creative forces, including 500 doctoral students. “Like a university, our campus

unites many faculties. Creative researchers should not only think and envision the future here. They should also be successful entrepreneurs. Renningen is the Stanford of Bosch. The centre is also a commitment to Germany as a technology location”, said Dr. Volkmar Denner at the opening ceremony.

After all, in 2018, the company’s turnover rose from 50 to 77.8 billion euros. It was developed by 410,000 associates (Bosch.de 2018).

The Otto Group is on its way. The 656-page Otto catalogue in Spring/Summer 2019 was the last to be printed. “Our customers have abolished the catalogue themselves, because they used it less and less and have long since accessed our digital offers”, says Marc Opelt, Head of the individual Otto company, which previously operated under the name Otto-Versand (W&V Redaktion 2018). Customers and people in companies do things. They disrupt organizations and business models. Digitization offers only a playing board for both groups.

Orchestra Without Conductor

Orchestras and athletes also need playing areas. While orchestras were long considered the classical equivalent of hierarchical work in organizations in terms of their order, this image has also had its cracks for the past 100 years. During our research we came across Persimfans, an orchestra that experimented in Russia without a conductor between 1922 and 1932. Persimfans was newly founded a few years ago and has also made concert tours through Germany.

“Die Deutsche Kammerphilharmonie Bremen” was founded in the 1980s in Frankfurt as a self-determined music collective and has meanwhile become a successful model—and far beyond Germany: in the school of a focal point district, not only a concert hall with first-class acoustics was built in 2007, but also the award-winning Zukunftslabor (future laboratory), with which “Die Deutsche Kammerphilharmonie Bremen” sets completely new standards in music education. “Die Deutsche Kammerphilharmonie Bremen” is also committed to the promotion of young talent with its academy: within the framework of a 2-year training programme, young, talented instrumentalists are prepared for the artistic and diverse strategic challenges of the music profession in the twenty-first century. Academy members benefit from the knowledge and skills of a top orchestra and a proven external team of experts. “What is written here on the orchestra’s homepage is confirmed by many classical music lovers all over the world”.

Digital, Self-determined Footballers

In the first German edition of this book, we had still considered the sensational 7:1 in the semi-final of the German national soccer team against the Brazilian team at the World Cup 2014. The two coaches acted too differently on the sidelines. One of them left his team to do as much as possible, the other tried to intervene again and again. Carlos Dunga, who replaced Luiz Felipe Scolari as coach of the Brazilian national football team after the defeat, later explained in a revealing interview what the Brazilians had learned from this defeat: “You have to give freedom the player. Everyone has a basic responsibility in the team. If he wants to make an additional contribution, he has the right to do so. I can’t keep telling him, ‘Do this, do that. Shoot the ball, make a header! ‘That’s his decision. So, you have to make the player make more choices every time. There are some things I demand. But that includes initiative” (Farmbauer 2014).

With this philosophy Carlos Dunga orients himself towards the German team. Since the preparations for the 2006 World Cup under Jürgen Klinsmann, their guiding principle has been “the responsible, open and interested player” (Jenewein 2008, p. 10). All team members were also involved in work and decision-making processes—from the regular player to the supplementary player.

What we didn’t know back then: An SAP team prepared the German soccer players for every match with software called “Match Insights”. In the digital directory, all the qualities and weaknesses of the opponents were listed. The culture of play and digitization was already twinned at that time. This applies today to all football clubs on a large scale. Football has changed radically in the last 10 years. This does not only concern the sum of the transfer fees, the introduction of video evidence or the growing power of the player advisors. It concerns above all the way in which the coaching and functional teams prepare their players for the coming matches today. Players are no longer the executive organs of their coaches, but actors who quickly adapt to new game situations and make their own decisions on the field. It’s where they train. “Today’s players want information and solutions. They are trained quite differently compared to before, they are no longer recipients of orders, they are actively involved in order to educate themselves further”, says national coach Joachim Löw: “The players want to learn something about the player, also about their routes, the optimal partitioning of playing space in different game situations. There’s a lot of knowledge you didn’t have before” (Wittershagen 2017).

SAP’s “Match Insights” software supports this learning process. The developers have worked them out together with football professionals in design thinking workshops. The programme takes football and tactics teaching in the Bundesliga to a new level. It uses cameras to collect and analyse data. It marks the precision of the passes, it records the time between getting the ball and passing it on and it records mileage and acceleration. The soccer player thus receives objective feedback on his performance. It is also prepared for upcoming enemies and tactical innovations. And the software enables an exchange between players, coaches and the functional team at eye level—teaching and learning works in all directions, not just top-down.

In recent years, mobile tracking in football has been continuously improved. Up to 144 chips on players' shoes and clothing and in the ball deliver 50,000 pieces of information per second to 12 antennas in a stadium. The location system RedFIR developed by the Fraunhofer Institute was installed in 2016 in the football stadiums of TSG 1899 Hoffenheim and 1. FC Nuremberg—with the aim of gaining more and more relevant data. This data is processed using the SAP platform HANA, which simultaneously displays the exact position of all players on a 3D surface and lists football-specific information such as ball possession, quality of passes, time between the taking of the ball and passing it on, goal shots and crosses, and much more. For several years now, physical data such as jump height, number of steps, meters run, skin temperature or speed of movement can be determined. The coaching staffs are thus informed about the current performance of each player almost in real time and can make decisions on formation, substitution or tactics on this basis. The DFB and FIFA have, however, banned digital analysis for in-game intervention. So far, games can only be analysed a posteriori—in retrospect.

The Five Colours of Clare W. Graves

In 2014, the former McKinsey consultant Frederic Laloux published a list of companies in his book *Reinventing Organizations* (Laloux 2014), which he describes as “self-organized” and building on “self-managing employees”. The book has been much discussed in the management scene, as it shows examples of companies that actually function without executives and hierarchy.

Laloux's approach refers to the works of the religious philosophers Ken Wilber and *Spiral Dynamics* by Don Beck and Christopher Cowan, who had already drawn a map of business and society in the twenty-first century in this book in the 1990s. They proclaim a new form of leadership, a different canon of values that will lead to a reorientation of management. Critics argue that the concept has deterministic or cultural-religious traits. Laloux sees the history of organizations as quasi-evolutionary. The future is always open and not predetermined. It was interesting for us that the companies described in Laloux's book show all the experiments that can be carried out in organizations. They go even further in their radicalism than lateral management.

The actual basics of this theory of colour go back to the ingenious works of the developmental psychologist Clare W. Graves from the 1960s (<http://www.clarewgraves.com>). Graves imagines people's childhood development in five phases or colours that build on each other. Jean Piaget for cognitive development and Sigmund Freud for the psychosexual development of young people have already developed similar designs for children growing up. The analogy has the following idea: people can develop further and/or regress like organizations. The aim of development is to live and work as a free, self-acting, autonomously acting personality. The same applies to organizations.

Table 1. Organizational forms according to Frederic Laloux (Laloux 2014; edited by the authors)

Colour/Organization	Current examples	Breakthrough
Red (impulsive) Constant exercise of power, reward and punishment	<ul style="list-style-type: none"> • Mafia • Street gangs • Tribal militias • France Télékom • Lehman Brothers 	<ul style="list-style-type: none"> • Division of labour • Command authority • People-oriented sanctions
Amber (conformist) Top-down command and control	<ul style="list-style-type: none"> • Catholic church • Military • Most government agencies • Public school system 	<ul style="list-style-type: none"> • Formal roles (stable and scalable hierarchies) • Processes (long-term perspective) • Bureaucracy • Decision delegation bottom to top
Orange (goal- and task-oriented) Management by objectives, command on control of “what”, freedom on the “how”	<ul style="list-style-type: none"> • Multinational companies • Alphabet • Spotify • Ing-DIBA • Elite sports 	<ul style="list-style-type: none"> • Innovation • Accountability • Meritocracy • Competition • Frequently matrix structure
Green (pluralistic) Focus on culture and empowerment to achieve extraordinary employee motivation	<ul style="list-style-type: none"> • Culture-driven organizations • dm markets • Gore Tex • Otto Group 	<ul style="list-style-type: none"> • Executive election • Value-driven culture • Stakeholder model • Culture of respect • Consensus models
Teal (“evolutionary”) Purpose-oriented decisions, holistic orientation	<ul style="list-style-type: none"> • Non-hierarchical organizations • Buurtzorg • Chronoflex • FAVI 	<ul style="list-style-type: none"> • Self-management • Transparent feedback culture • Small, autonomous groups • Striving for wholeness

Back to Laloux’s model: he describes the various forms of organization using a colour scale similar to that of Ken Wilber and assigns them to a historical epoch. We give a short overview and start directly in modern times (see Table 1).

Companies practising lateral management would be placed on the colour scale between orange and teal—“empowerment organisations” with elements of self-management. Empowerment in the 1990s was a management concept that attempted to shift more decisions to the grassroots of an organization.

In *Reinventing Organizations*, the company AES, an energy service provider with 40,000 people, is described. This company was self-organized in 1982 (teal) and is today again managed in a classic way (orange). There are such upheavals again and again. And many companies with a long biography would certainly be culturally overwhelmed by hard cuts and skipping organizational evolutionary stages.

Table 2. Current and desired culture in German companies (study of Denkwerkstatt für Manager)

Layers by Graves	Current culture	Desire for future culture
	German companies ^a	German companies ^a
Red	10	1
Amber	43	25
Orange	39	34
Green	8	30
Teal	0	0

^aNotes: Benchmarks according to Graves. Sample of 130 German companies of different sizes (focus: HR)

For established companies, the introduction of lateral management, cooperation at eye level in top management, is already a challenging step. Nevertheless, the confrontation with non-hierarchical, self-organized companies is worthwhile—especially for the founders of new, digital companies. It is not for nothing that many of the self-organized companies described by Frederic Laloux were founded on the (teal-) greenfield site. In this respect, they can provide cultural benefits as role models for start-ups.

In more than 100 companies, we have now asked two questions to people with and without management functions in consulting with the Graves Charts:

1. How do you rate your organization today according to the colour scale?
2. In which corporate cultures would you like to live?

Organizations always consist of several subcultures. We therefore asked the test persons to distribute 100% over a maximum of five colours (Table 2).

This survey is part of a cultural analysis of an organization that shows how the company is run. The results are pretty sobering. More than 50% of today's companies are run in an authoritarian and bureaucratic manner. This is unlikely to look any different in other countries.

Modern management fights its way forward in organizations at a snail's pace. The belief in old, traditional management methods seems to be set in stone. In a study published by the University of St. Gallen in 2019 in the *Harvard Business Manager*, the biographies of 411 German listed companies were researched. The researchers found that 92% have no digital experience at all and probably know few start-ups (Bruch 2019).

If this is already the case at the top of companies, then new, non-hierarchical cultural experiences are also lacking in founding companies. The culture of start-ups is often very different from that of established companies. Courageous companies like Otto, which are undergoing fundamental transformation very quickly, are still the exception. Changing culture takes a lot of courage.

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The Book Summarized—For Readers With Little Time

Digitalization will change the economy and society just as dramatically as electrification did 100 years ago—with far-reaching consequences for companies, managers and people. 5G, Robotics, AI, 3D Printing, Blockchain, Quantum Computing and more are changing our lives. Some experts are speaking of the arrival of an innovation tsunami, whose first waves in the form of 4G, broadband Internet, the smartphone as a constant companion, streaming, cloud computing and digital photography has already changed our lives decisively today.

In the working world today, simple, repetitive tasks are already performed by machines. Networked, intelligent means of production give an idea of where Industry 4.0 is heading. But digitization is not only changing production, but it is also changing products, distribution structures, marketing and markets. It is changing the way we work and how we live—and thus our corporate cultures.

In fact, the digital revolution is a cultural revolution. Managers, employees and customers will communicate differently and in a new way: laterally, at eye level. This requires the courage to take personal responsibility at all levels in the organizations. What sounds simple is so hard to achieve. But it's possible. Courageous managers have already been able to demonstrate this in their companies. They have rethought and redesigned institutions. These managers have empowered their employees to disobey, to feel the pleasure of controversy over the best ideas. The basis of self-responsibility is non-conformity. How this basis can be established is what we want to show in this book and encourage managers to participate in. Companies that manage to spread responsibility across many shoulders are measurably very successful. This is also shown by the many examples from a large number of companies in this book.

In Chap. 1, we will describe the change of times and the effects on companies, managers and people. We focus on the cultural core functions in organizations: leadership, decision-making and collaboration.

Digitalization is changing the way top management works in companies, it is exacerbating the already-difficult role of middle management, and it has a dramatic impact on the activities of employees and workers: serious estimates estimate that almost 60% of all jobs will change in the next few years.

Joseph Schumpeter, who described the innovative power of capitalism in an incomparably fundamental way, was able to show that in times of creative

destruction technological upheavals are always accompanied by organizational changes. While leadership and cooperation in the twentieth century were still hierarchically organized as: “The boss’s decision trumps all”, the digital future will be socially shaped by lateral management, by leadership at eye level. Horizontal communication will replace vertical misunderstanding in successful companies in the twenty-first century. Statement hierarchies are replaced by responsibility hierarchies. This means that the responsibility is transferred from a few at the top to many in the organization.

The competitive and innovative pressures generated by digitization are forcing companies and institutions to reorganize work, knowledge, data and management. Today, innovative companies all over the world are looking for new organizational models. Lateral management is the model that fits the digital economy and its requirements. Lateral management means allowing diversity of goals and processes, making organizations more flexible, relying on the creativity of individuals and small groups and, above all, sharpening a sense of possibilities for the future. The principle of self-responsibility should be firmly anchored in organizations. This means that the management style must change both internally and externally.

The story of Lehman Brothers with its difficult boss, Richard Fuld, who, as Chairman of the Board of Management in 2008, was instrumental in triggering a global economic crisis, shows how devastating it can be to “keep up the good old way” and stick to classic hierarchical management. Linear, I-driven management models are not the answer to the complexity of the markets of the future and certainly not to a fundamental reorientation of the economy and society in a digital economy. The global economic crisis of 2008 was not a crisis of capitalism, it was a management crisis! Learning from the crisis means changing management cultures. How we manage is becoming just as important as what we do.

In Chap. 2, we will look back on the history of management ideas of the twentieth century and pay tribute to the approaches that have influenced the concept of lateral management. We will describe how Henry Ford and Max Weber became the forefathers of classical management. We are dedicated to the legendary management star Peter Drucker, the inventor of “Management by Objectives” and founder of rational, planning and thus classic management. Peter Drucker influenced a very large number of managers worldwide and still has a powerful international fan base today.

We shall compare his ideas with those of Warren Bennis. Bennis understood the soulless, number-fixed management as an economic version of Max Weber’s bureaucracy and confronted classic management with the model of visionary leadership. Bennis’s position can best be summed up in the words of another management legend—Jack Welch, who was CEO of General Electric in the USA until 2001: “All management is people management”. This debate from the early 1990s was important because it was already carrying within it the seeds of lateral management.

Chapter 3 then shows the cracks that gradually shook the basic assumptions of classical management. With the use of information technology since the 1970s, so-called bypass structures have developed in companies. Project management was

born and happily conquered a place in companies as a kind of second hierarchy next to the classical staff lines organigrams. Many companies consequently created matrix organizations in order to legalize project structures—and thus accepted the complexity of established organizational structures. The official organigrams suddenly took on surreal, unreal forms. Besides them, informal structures developed in which important decisions were made for the companies. Changes in market structures also caused new, non-hierarchical responses from companies. Project responsibility was soon more important for the functioning of the organization than line responsibility.

We particularly appreciate the concepts of former McKinsey consultants Tom Peters and Robert Waterman—and managers like Percy Barnevik—who tried to put their concepts into practice. At that time, the companies involved worked in small organizational units. The radical transfer of responsibility to those affected locally, the mobilization of management and emancipated knowledge workers, and especially the de-bureaucratization were the new driving forces in companies. The new organizational structures co-developed by Peters and Waterman were always unique: tailor-made for each respective company, its culture, the industry and its competitive conditions.

Many ideas were successful, some too radical and ahead of their time. Nevertheless, there is much to learn from the experiments. The ideas of Peters and Waterman were the historical laboratories for managers who are currently redesigning organizations.

Around the ideas of the sociologist Niklas Luhmann and positive psychology, a new form of consulting developed in Germany, which is called “systemic consulting”. Essentially, communication consultants developed concepts in management workshops that take the new, complex realities of work into account. The credo of this form of consulting was: Make those affected into participants in change processes! Courageous companies employed such advisory groups for a fundamental evolution of management.

Especially the American consultant Harrison Owen and his counterpart in Germany, Reinhard Sprenger, talked about a non-patriarchal management model. Only self-responsibility leads to efficient organizations. Harrison Owen summarized this in the slogan: “To manage is to control, to lead is to liberate” (Owen 1999).

The sociologists Stefan Kühn and Wolfgang Schnelle from the consulting firm “Metaplan” came up with a leadership concept in the past decade called “lateral leadership”. In the Harvard principles of negotiation, it has already been shown that conversations with customers at eye level follow different rules than classical, vertically influenced communication does. The answers from Kühn und Schnelle for companies were also due to a social debate: Looking back on failed large-scale projects in Berlin, Hamburg and Stuttgart for which the state is responsible, it becomes clear that timely thinking about better citizen participation would have led to better results. No major project of a municipality is passed today without citizen participation. The economy can also learn from this. Why should people as citizens be involved in important decisions, but not affected employees in companies?

In Chap. 4, we then describe historical and current approaches of lateral organizations. Many companies today are looking for different models to transfer more self-responsibility to individuals and teams in order to bring innovations to market faster and respond more flexibly to market challenges. Those who have held management responsibilities for a long time know that in the history of industrial capitalism, entrepreneurs and managers all over the world have always worked on these issues.

In addition to the constant improvement of processes, creativity and innovations, there were pioneering experiments with forms of participation in England and Scandinavia in the middle of the last century—and the companies that can be regarded as classic cases of lateral management: Ricardo Semler and the Semco system, Gore-Tex, Gerard Endenburg and the Mondragón Corporación Cooperativa (MCC).

We will deal with organizational experiments of smaller, modern companies such as Five1, it-agile, Umantis, Betterplace Lab, CCP, Praemandatum, Kuentzle Rechtsanwälte, Vaude from Germany and Tele Haase from Vienna.

We also describe large exemplary companies that are currently embarking on the path of sustainable cultural change: RAG AG, Bahlsen, AOK Baden-Württemberg, dm-drogerie markt, Procter & Gamble. Especially tech giants like Amazon, Apple, Facebook, Microsoft and Google are constantly transforming their culture. These companies have courageously advanced what can be shaped. We were particularly interested in the Google mother company, Alphabet.

Using a concise empirical example, we show how important middle management is when it comes to cultural change processes in companies—and what role lateral structures play in this.

After all, we devote ourselves to companies that completely dispense with leadership and rely entirely on the self-organization of their employees and self-controlling teams: the Dutch nursing service Buurtzorg, the foundry FAVI, Poult Biscuits and Cronoflex from France, Sun Hydraulics from Florida, Morning Star from California, the communications agency MINISTRY Group from Hamburg and, in the USA, the power plant operator AES. They are not only success models. We also show how and why concepts of self-organization can also fail. Harley Davidson was also a laterally managed company between 1981 and 1997 with a successful business model following an economic downturn.

We draw the first conclusions from this about what contemporary organizations need to do to introduce lateral management structures.

From the history of Peters and Waterman, the historical approaches to creating innovation, and especially the experiments in companies, individuals and teams to transfer more self-responsibility, we present in Chap. 5 our own concept of lateral management. We ask the questions: What should companies do to culturally meet the challenges of the digital economy and how can cultural progress be measured and developed? What do these changes mean for people in companies? And what do they mean for the managers?

The journalist and social theorist Arthur Koestler (1905–1983) had the opinion that the quality of every society and thus every organization can be measured by the

degree of its possible, permissible, individual freedom, as the absence of collective coercion. How much freedom does an organization give to the individual? This question applies particularly to the management level of contemporary companies in the twenty-first century. According to our experience, the design of togetherness and the conception of innovative breakthroughs are based on the individual and not on the collective. This applies to both companies and enterprises. Today, it is courageous managers who are driving important innovations and creating added value beyond the traditional organizational charts. Successful organizations create structures in which collaborating people can develop in freedom. At the same time, it is also the responsibility of these people to accept these freedoms and to develop themselves further.

This all sounds very reasonable, however is so difficult to implement in management practice. Who doesn't want to employ self-responsible, well-networked and innovative people at the important positions in the company today?

In this chapter, we show how lateral management is introduced and how it works. We also appreciate Peter Drucker's saying: "If you can't measure it, you can't manage it". This also applies today to changes in management culture. We have developed measurement tools that can help accompany cultural change from hierarchical to lateral management at all levels: top management, middle management and employee level.

Our own consulting company Denkwerkstatt für Manger has been developing the benchmarks since 2015, primarily in Germany. In contrast to the published literature on the subject of self-organization, most companies in Germany are still managed on a classic hierarchical basis. Contemporary, lateral guidance in reality takes place far less than it gets published about it. For managers looking for cultural excellence, this part of the book should be particularly exciting.

In the field of cultural change, there is the greatest need for improvement in companies. The aim is to reduce reactive power so that companies can work faster, more unbureaucratically and across departments. Google measures management performance against two parameters: performance and work happiness. Many companies can measure performance professionally with Key Performance Indicators (KPI). Peter Drucker laid the foundations for this in the 1960s with the idea of target agreements in management. Measuring work happiness as well as performance is new. To this end, we have developed key figures that we call Key Culture Indicators (KCI). We would like to show you how this works here.

Why are both the classical and the lateral management models used in parallel in companies today, in the transition to the digital economy? The classic hierarchical variant is the discontinued model. But in areas where routine activities are carried out, classic management methods often still work as the best solution. In the creative areas where innovations are conceived and researched, in customer contact and in horizontally integrated companies, lateral management will be the success model. The principle here is to implement as much laterality as possible in organizations and to reduce classic management. We'll show you how.

We are also dedicated to those who are concerned about the threat posed by digital technology. But let's show what opportunities the process of digitization

offers companies, people and managers: more freedom, more individuality, more exciting jobs, more creativity and more innovative power.

“There you go, Mary”

The Internet retailer Amazon collects data about the work performance of its pickers and packers via the scanners as they drive through the huge warehouses. In Germany, the introduction of such tracking in companies led to long-lasting conflict between management and employees.

Already in 2005, a small company in southern Germany solved these problems. There were also concerns there about the introduction of the software “Mary”. Mary is a language software that can be regarded as a forerunner of Siri or Alexa in the industrial sector. But there is no question of language assistance—Mary gives instructions.

The company is called Aqua Römer and supplies the best sparkling water from the Swabian Alps. Logistically, this means that pallets of water crates must be provided for customers in the warehouse. Whereas in the past this was organized with notes labelled by workers, which were attached to the deliveries in an awkward way, today Mary knows what who has to put together for whom.

While getting used to logging in with a voice command and following Mary’s instructions at launch was a problem, 10 years later the tracking analysis capabilities had evolved and could register personalized information in addition to logistics processes. These include above all emotional states such as behaviour under stress, nervousness, well-being, anger and joy. As the staff were already involved and involved in the introduction of Mary in 2005, it was possible to find satisfactory solutions as to which data would be tracked and which would not (narrated according to Budras 2019).

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