

Leading in the REINVENTED ORGANIZATION

BY ARTHUR YEUNG AND DAVE ULRICH



We know that “organization” matters. Organizations shape all of our lives: how we shop, are entertained, work, learn, receive healthcare, and worship.

Research shows that organization capabilities have four times greater impact on business results than individual competencies, that organization culture delivers intangible market value to investors, and that employee experience often comes from organization practices.

In recent years, a number of organization experiments boast fancy names to describe emerging organizations, such as holacracy, exponential, boundaryless, network, and agile organization. To crystallize and summarize organization innovations, we did in-depth studies of some of the iconic organizations (e.g., Amazon, Facebook, Google, Tencent, Alibaba, Huawei, DiDi, and Supercell). We call these organizations market-oriented ecosystems (MOE) that capture the new organizational logic. Instead of being organized by divisions where a chain of command allocates resources, the reinvented organization has a platform of resources (money, people, technology, data) that are dedicated to market opportunities. Each market opportunity is assigned an independent team (or cell) where employees anticipate customer requirements and move quickly to respond to them.

Historically, these organizations might be seen as holding companies—with hub and spokes. But the reinvented organizations we studied connected the independent teams or cells into an ecosystem because these teams shared information and resources about customers, innovation, and agility. This “market-oriented ecosystem” is a novel way of designing organizations that are both small (independent cells) and large (ecosystems), and innovative (new insights in a cell) and learning (sharing information across cells).

The MOE brings with it new leadership requirements. Based on others’ insights and our research, we identify five roles in the MOE (see the figure “Leadership Domains That MOE Leaders Focus On”), with each having a set of key skills associated with it (see “Key Leadership Roles and Skills”).

Here are examples of these leadership roles and actions from leading companies.

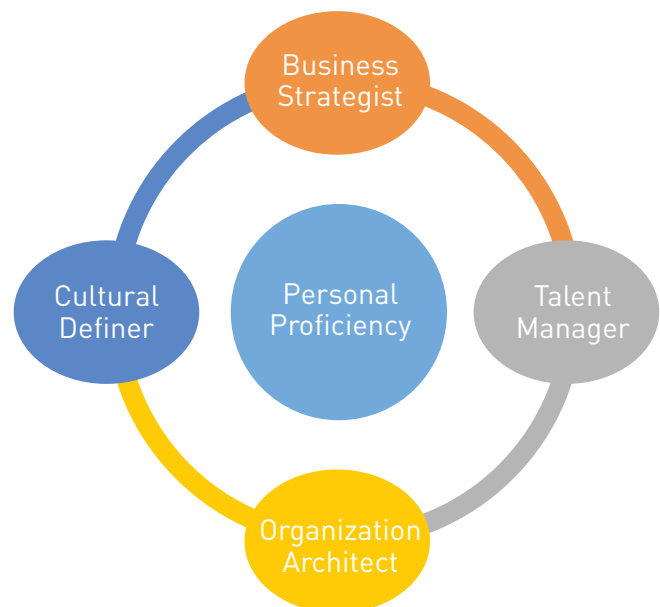
Business Strategist: *Where are we going?*

Pony Ma positions Tencent as a social network platform that connects people, things (i.e., internet of things), services, and companies and as an entertainment platform that offers digital and cultural content like games, music, literature, and movies. He also counts on strategic partners like JD.com and Meituan to offer other products and services. To stay strategically agile, Ma undertook a major strategic evolution

for the company in 2018. Tencent began using internet and ABC technology (AI, big data, and cloud computing) to enhance operational efficiency and customer experience across industries (B2B internet services) on top of its traditional focus on user experiences (B2C internet services).¹

Mark Zuckerberg at Facebook has very clear priorities about how to use his time, primarily in strategic direction and product innovation. He spends significant time thinking about new business opportunities fueled by new applications (like Instagram and WhatsApp) and new technologies (like augmented reality and AI) and how Facebook captures these opportunities by building internal teams or acquiring new capabilities from the outside. As the best product manager in Facebook, he regularly reviews new products and features. Winning teams from hackathons will get feedback and advice from him for further development. He also sends strong, direct messages to his engineers about the new products he wants the company to invest in. When the wave of mobile tech flooded the Internet years ago, Zuckerberg made it clear to all engineers that he would stop reviewing any new products or features that were not available on the mobile platform. His passionate sharing of company priorities is a highly effective way to steer the strategic direction of the company.²

Leadership Domains That MOE Leaders Focus On



Key Leadership Roles and Skills

Role	Leadership skill
Business strategist	<ul style="list-style-type: none"> • Anticipate and imagine future opportunities from a deep understanding of key trends (especially technological developments and unmet customer needs). • Build consensus on where to grow (customers, products, or regions) and how to grow (buy, build, or borrow).
Organization architect	<ul style="list-style-type: none"> • Replace bureaucracy's focus on internal roles and rules with customer-centric agility. • Establish autonomous teams or cells that draw on platform resources and connect to each other in an ecosystem. • Instill collaboration that is based on common values and governance mechanisms.
Cultural definer	<ul style="list-style-type: none"> • Define the right culture as to what the organization is known for, based on customer promises made real by employees. • Embed culture by constantly communicating the why, what, and how of culture. • Personally model the culture in your daily actions.
Talent manager	<ul style="list-style-type: none"> • Commit to the strategic importance of talent and people. • Set rigorous standards to select high-caliber employees who fit the desired culture. • Inspire employees with meaning and purpose (meeting their need to believe). • Help your people develop new competencies, for example, by moving them across units (meeting their need to become). • Help them create positive relationships with each other (meeting their need to belong).
Personal proficiency	<ul style="list-style-type: none"> • Demonstrate personal competencies for growth, including energy and passion, empathy for others, the ability to learn fast, a mission-driven outlook, resilience, and an entrepreneurial spirit. • Help other leaders acquire these personal competencies.

Organization Architect: *How can we redefine our concept of the organization and redesign its key building blocks to better deliver employee, customer, and investor value?*

Pony Ma formally announced Tencent's ecosystem strategy in 2012. The approach was based on the evolution of an open-platform strategy and the divestiture of its search business to Sogou and its e-commerce business to JD.com. These strategic partners represent "half of Tencent," as Ma redefines which business activities Tencent should focus on in the entire ecosystem, not just in the company itself. Allies and partners become important components of Tencent through business collaboration, reciprocal supports, and equity participation. In late September 2018, Tencent also formally announced the formation of a technology committee to unlock synergies embedded in its various technical teams across business groups.³

In 2015, Alibaba's Jack Ma decided to adopt an organizational model of small autonomous teams and a strong midplatform. More than 20 agile business teams are run by young business managers who are fully empowered to base their decisions on market needs. To further empower these agile teams to win, Jack Ma decided to integrate user data and ABC technological support at the midplatform level, so that the platform offers plug-and-play services to the agile customer-facing businesses.⁴ As a result, Alibaba's profit and revenue grew rapidly again after 2015.

Cultural Definer: *What do we want to be known for not only by our employees but also, more importantly, by the customers we are serving today and tomorrow?*

Ren Zhengfei at Huawei is passionate about building the right culture and instilling accountability to drive people to prioritize the customer. Customer first, employee dedication, and self-criticism for continuous improvement are three overriding values. He reinforces the culture by telling stories and writing letters to employees, shrewdly using his time only with customers, employees, and partners (not investors or government officials), generously investing in technology and people for long-term success, and basing personnel decisions on the articulated values and culture.⁵

Jeff Bezos is obsessed with building the most customer-centric company in the world by offering low prices, wide selection, and the most convenience. He articulates 14 leadership principles and weaves them in all of Amazon's business decisions (including which business adjacencies to move into and which innovative products and services to offer) and personnel decisions (selection, review, promotion, and separation). As he and many other Amazon executives assert, good intentions are not enough. A successful ecosystem needs good mechanisms to make things happen.⁶

Talent Manager: *How do we make sure our employees are competent, committed, and contributing?*



Bezos insists on setting high standards for talent. Using the 14 leadership principles and multiple interviews for rigorous screening, Amazon purposely assigns respected executives who know Amazon culture very well as “bar raisers” to ensure that the new hires will rank above average in their teams.⁷ Demanding standards apply to everyday decisions and work behavior. People are expected to work extremely hard (work-life balance is not a priority at Amazon) and to be ready to take on new roles and responsibilities when needed.

Founded by Larry Page and Sergey Brin, Google strives to use technology to solve complex human problems. Having the best and the brightest engineers is critical to its mission. As a result, the company invests a tremendous amount of time and effort to source, screen, and secure top-notch talent. In addition to multiple rounds of interviews, Google makes extensive use of hiring committees to calibrate potential candidates from different hiring departments. Once these talents are hired, Google simply offers them the best work environment (campus-like environment with a lot of free cafeterias, snacks, drinks...), opportunities to work and learn with other brilliant peers, and to take on cutting-edge challenges. Result? Google is continuously selected as one of the best employers in the United States.

Personal Proficiency: How do I (and other leaders) manage actions, beliefs, and values that enable the above roles?

Bezos, Zuckerberg, Pony Ma, Jack Ma, and Zhengfei are leaders with clear missions and strong values. They turn

personal values into company purpose. They are authentic leaders who walk their talk. Their values give them emotional energy and resilience through tough business downturns. For Bezos, the bursting of the dot-com bubble in late 2000 was a life-or-death challenge for the company.

For Pony Ma, the 3Q battle with Qihoo 360 in 2010 challenged his leadership abilities. Without a clear mission and strong values, leaders can either give up or make the wrong business decisions. These leaders are also amazingly quick learners. Clearly, a leader models the right values and behaviors. As a leader said, “We teach leadership and sometimes use words.”

Organizations matter. Organizations are reinventing themselves to become market-oriented ecosystems. Leaders of these new organizations are more effective when they master five leadership domains. ^{AQ}

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¹“Tencent Announces Strategic Upgrade,” Tencent Holdings Limited, October 1, 2018, <https://www.prnewswire.com/news-releases/tencent-announces-strategic-upgrade-300721749.htm>

²Employees and former employees of Facebook, interview with Arthur Yeung (author) and Tencent Research Team; the interviews were conducted from March 14 to 15, 2017 in person at Mountain View, Palo Alto and by telephone; Ekaterina Walter, *Think Like Zuck: The Five Business Secrets of Facebook’s Improbably Brilliant CEO Mark Zuckerberg* (November 7, 2016)

³“Tencent creates technology committee to boost in-company collaboration,” Jill Shen, January 10, 2019, <https://technode.com/2019/01/10/tencent-special-technology-committee/>

⁴Alibaba Group CEO Zhang Yong internal letter to all employees, Mid-platform strategy and organization transformation, December 7, 2015, http://www.sohu.com/a/46935967_259281; Zhonghua, *The Way to IT Architecture Transformation: Alibaba Mid-Platform Strategy and Practices* (Beijing, China Machine Press, 2018)

⁵Huang Weiwei, *Dedication: The Foundation of Huawei’s Human Resources Management* (London: LID Publishing, 2016).

⁶Employees and former employees of Amazon, interview with Arthur Yeung (author) and Tencent Research Team. The interviews were conducted from March 1 to 22, 2017 in person in China and in the United States and by telephone.

⁷Employees and former employees of Amazon, interview with Arthur Yeung (author) and Tencent Research Team. The interviews were conducted from March 1 to 22, 2017 in person in China and in the United States and by telephone; Brad Stone, *The Everything Store: Jeff Bezos and the Age of Amazon* (New York: Little, Brown and Company, 2013).