

## CONCEPT OF TEAL ORGANIZATIONS: THE CONDITIONS FOR THE PRACTICAL APPLICATION

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**Abstract:** Recently, the problem of the effectiveness of organizational models has been actualized. Teal organizations, in turn, represent a new structure that is of some interest. The article analyzes the origins and stages of forming the concept of teal organization by Frederic Lalou and the theory of spiral dynamics by Claire Graves. Each development stage of the organizational models is examined in detail. It is given the definition of the essence of the organizational structure as a whole. The idea of teal organizations was presented as an innovative model. The specific features of teal idea and teal organizations were considered in general. It is revealed the advantages and disadvantages of the concepts. This concept was introduced and applied in several foreign companies. Soon, the idea received recognition in the Russian market. It is given the examples of the introduction of teal ideas in some Russian companies. As the analysis result, the authors gave a positive experience of applying this concept in the activities of domestic and foreign business. It is also considered the details, which should be taken into account when implementing teal ideas to obtain the most effective result. The conditions for the practical application of teal ideas in the example of companies of different activity fields are considered in detail.

**Key words:** organizational development, organizational model, concept of teal organization

### 1 Introduction

The founder of the innovative idea of "teal organizations" is the business consultant, coach, and former partner of McKinsey & Company Frederic Lalou. The author introduces this concept in the book "Discovering the Future Organizations", which tells about the development stages of the organizations and presents a completely new, modern level of development, which is called teal (Obolensky, 2006).

To begin with, it should be noted that the organizational structure is a document that schematically reflects the composition and hierarchy of business units (González & Villalobos Antúnez, 2016). Many organization leaders who care about the future of their company try to change the organizational structure in a variety of ways. Since the traditional ways to solve the organizational problems have exhausted their positive effect to date, the world needs an entirely new approach to organize joint work, so that the employees can fully open their potential, be ready to develop for the benefit of the company, that is, be happy and feel comfortable at work (Lalou, 2017). It is important to note that the human resource, the potential and the desire for development is a very important component of the modern economy. Thus, we observe how much the economic development depends on the qualitative human resources every day (Khairullina et al, 2016). So, is it possible to create a kind of organization where the employees will be happy, comfortable and productive, or is it just a utopia? If it is possible, it arises the following question: what these organizations will be like? It is these questions that underlie the study of Frederic Lalou (Lalou, 2017).

### 2 Methodology

First of all, we consider it expedient to analyze the development history of the organizational models. F. Lalou focuses his attention on the fact that with this goal it is necessary to analyze the development history of mankind and the psychology of its development as a whole. According to the author's research, the development history of human society, the stages of development of its consciousness, as well as the stages of organizational models are the interrelated components. Thus, many historians, anthropologists, philosophers, psychologists, etc. are ask the question: "how did the consciousness of mankind evolve from the early stages to the complex state inherent in our time?" (Lalou, 2017). In this matter, many independent researches confirm the gradual development of mankind, and each stage, each new stage is marked by a new era, an epoch, thus, the main aspects of our life, for example, society, economy, acquire a completely new look.

As mentioned earlier, the development stages of human consciousness and the organization model are very interrelated. Frederic Lalou, exploring the development of the organizational models, appropriated certain color significance to each development level, similar to the theory of spiral dynamics of Claire Graves, an American Doctor of Psychology. However, F. Lalou referred in his research and distribution not only to the theory of spiral dynamics, but also to the research of other scientific figures, and compiled an integrated description of the development of human consciousness. For example, Lalou called the very first development stage of human consciousness "Reactive", while it was "Beige" according to Graves. Speaking of the last stage for which Lalou used the term "Teal", in many other cases it is called "Integral", or even "Yellow" according to the theory of spiral dynamics. Thus, the author claims that his descriptions, in most cases, correspond to the descriptions of integral psychology (Lalou, 2017).

### 3 Results and Discussions

As already mentioned earlier, the first (or rather, the earliest stage of human development) is the Reactive (Infrared) stage. As a rule, there was no specific organizational model at this stage, all the more, there was no hierarchy, that is, there were no leaders, heads, etc.

The second stage is called Magical (Purple). At this stage, people began to unite in more complex tribes, consisting of several hundred people and coping with more complex tasks.

The next development stage is called Impulsive (Red). At this stage, the organizational models began to appear, in particular, the red organizations. People began to realize the fear of death, the world began to be perceived as an unsafe place where the one who has power in his/her hands ruled.

A further achievement in the mankind development is the Conformist (Amber). At this stage the society passed from tribal life to a society where the states, civilizations, state institutions began to exist, the bureaucracy appeared, etc. Large companies, created during the industrial revolution, also serve as an example of the amber organizations.

Then the society has passed to the newest development level and the corresponding stage is called Competitive (Orange). The world at this stage is perceived as a kind of complex mechanism in which it becomes possible to explore a lot and discover something new. When making any decisions, first of all, it is taken into account the effectiveness, and this stage has three very important discoveries: innovation, responsibility and meritocracy. Such serious international corporations as Walmart, Nike, Coca-Cola are an example of orange organizations.

But the feelings are included in the affair already at the next stage called Pluralistic (Green). While the dominance of material values, emerging social inequalities, the loss of important human values are the disadvantages of the orange organizations, the green paradigm takes a closer look at these problems.

Now, due to the evolution of human consciousness, people began to look at the world through another prism, and it appeared the idea of teal organizations.

Each level of organizational models carried certain innovations with it and was characterized by special metaphors. The teal worldview, according to the results of the study made by Frederic Lalou, is also a source of three discoveries and one metaphor. "Organizations as living organisms," says the author, which is a metaphor for the teal idea. The idea is based on the fact that "people in such organizations think of their companies not as mechanisms or machines, but as living organisms with a soul that can develop in the right direction without managerial control and strategic plans for a year" (Lalou, 2017).

At this stage of organizational development, it also appear three discoveries: self-management, integrity and evolutionary goal. The first, self-management, says that the employees of teal organizations are able to solve diverse tasks and problems of a more complex level. The colleagues have the opportunity to interact, as they are equal in rights, and the company does not have a functioning hierarchy. The second discovery, integrity, speaks about the importance of expressing not only rational views, as it does in classical organizations, but also using personal internal potential of determination, self-confidence, etc. And the last discovery made by Lalou is focused on the fact that the teal organizations have an evolutionary goal. Thus, the employees are led to an understanding of the main goal of the company. Thus, they help to make efforts and to take decisions specifically for the implementation of this goal, and not follow the plans imposed by the leadership.

Table 1. Features of the development stages (systematized by the author)

Development stage	Main features	Main principles
Reactive / Infrared	<ul style="list-style-type: none"> <li>- small groups of people consisting of a couple dozen people</li> <li>- the concepts of "ego", "I" do not exist</li> </ul>	<ul style="list-style-type: none"> <li>- a specific organizational model does not exist</li> <li>- there are no leaders and heads</li> </ul>
Magic / Purple	<ul style="list-style-type: none"> <li>- tribes of several hundred people</li> <li>- a human begins to separate himself/herself from society</li> <li>- people are able to solve more complex problems</li> <li>- awareness of the cause-effect relationship is not developed</li> </ul>	<ul style="list-style-type: none"> <li>- a specific model of the organizational structure does not exist</li> <li>- there is some power on the part of the elders</li> </ul>
Impulsive / Red	<ul style="list-style-type: none"> <li>- People completely separate themselves from the environment</li> <li>- It appeared a fear of death</li> <li>- The world is perceived as a dangerous place</li> </ul>	<ul style="list-style-type: none"> <li>- Power abuse</li> <li>- Manipulation</li> <li>- Public punishment</li> <li>- Achievements are acquired in the most cruel ways</li> </ul>
Conformist / Amber	<ul style="list-style-type: none"> <li>- Transition from tribal life to society</li> <li>- There are states, civilizations, institutions, bureaucracy, etc.</li> <li>- It appear medium and long-term plans</li> </ul>	<ul style="list-style-type: none"> <li>- Medium-term and long-term plans</li> <li>- Collective thinking</li> <li>- Self-discipline</li> <li>- The authority is determined by the social role</li> <li>- Inequality</li> </ul>
Competitive / Orange	<ul style="list-style-type: none"> <li>- The world is perceived as a kind of complex mechanism</li> <li>- Material values are the main driver</li> <li>- inequality</li> <li>- The emergence of large international corporations</li> </ul>	<ul style="list-style-type: none"> <li>- Efficiency is the main criterion in decision-making</li> <li>- Innovation</li> <li>- Responsibility</li> <li>- Meritocracy</li> </ul>
Pluralistic / Green	<ul style="list-style-type: none"> <li>- Feelings of people come to the fore</li> <li>- justice</li> <li>- Respect for different points of view</li> <li>- Cooperation</li> </ul>	<ul style="list-style-type: none"> <li>- The power / hierarchy is not relevant</li> <li>- Empowerment</li> <li>- Organizational model motivating the employees</li> <li>- The number of</li> </ul>

		stakeholders is increasing - The organization works on the principles of family values
Teal	<ul style="list-style-type: none"> <li>- The organizations act as living organisms</li> <li>- Equal rights</li> <li>- Motivational approach to the use of internal potential</li> </ul>	<ul style="list-style-type: none"> <li>- Self-management, hierarchy is absent</li> <li>- Integrity</li> <li>- There is an evolutionary goal shared by all employees</li> </ul>

Let us consider the examples of some foreign and Russian companies that have implemented the ideas of teal organizations in their activities. However, we believe that not all the organizations can be called purely teal. In other words, they are of a "mixed type: consistently applying the evolutionary teal approaches in some areas of their activity, they use the traditional orange-green approaches in others" (Lalou, 2017).

The first successful example of introducing teal ideas is the company Buurtzorg, whose employees care for the sick and the elderly. The company moved from the orange organizational model to teal. How it works in the usual institutions providing medical services, the time of examination and care of each patient is scheduled by the minute. The average medical staff does not have time to properly monitor the health status, the effectiveness of the staff is reduced. Thus, the result of such work is not successful. Subsequently, the founder of the company Buurtzorg, Jos de Blok, introduced teal ideas in his company, which completely changed the whole system of work. As a result, Buurtzorg has become an unusually successful enterprise, the number of employees has increased from 10 to 7,000 nurses, and the quality of service has reached an unprecedented level in seven years" (Lalou, 2017). The doctors and other medical personnel are personally responsible for the provided medical service, determine the number of patients they need to examine. Moreover, the decisions on office matters, vacations, tasks, productivity are also taken collectively, without a definite leader. As a result, the quality of customer service has increased tremendously (Lalou, 2017).

The next example of successful implementation of teal idea is the company specializing in e-commerce - Next Jump. An interesting position of Next Jump is the fact that the employees are given jobs and tasks for which they do not yet have enough skills and experience, but they help them to cope with new tasks as much as possible. Thus, the company promotes the development of its employees. Also, Next Jump does not find a solution in the dismissal of employees even in the most difficult economic situations. According to the head of the company Charlie Kim, "You will not fire your children from a family business" (Villalobos Antúnez & Bello, 2014)

Another teal example, described in Lalou's book, is the company Patagonia with a staffing of 1,350 people, which has been initially engaged in the production of climbing hooks, and has further grown to "the leading manufacturer of outdoor clothing and striving to have a positive impact on the environment" (Lalou, 2017). Thus, the main principle of the company is the environment protection. In the name of implementing this goal, the company cooperates with the suppliers that provide products that are also produced according to the principles of ecological purity. The risky decisions taken in the name of preserving the goal of producing the environmentally friendly products brought more significant profits than losses. Thus, strict adherence to the evolutionary goal is the key for the company's success (Lalou, 2017).

Let us consider some Russian organizations that seek to adopt the benefits of teal ideas and introduce them into their companies. Of course, this idea is relatively new and unusual for

Russian reality. However, despite this, such Russian organizations as Sberbank, VkusVill, Fabrika Okon, Ascona partially apply the teal methods (Lalou, 2017).

Five branches of Sberbank of Russia in Balashikha experiment with the organizational method inspired by the teal ideas. There are no ordinary managers in these branches, now they are coaches who do not give ready-made solutions to the employees, but only help them in taking and making decisions collectively. At the moment, the most important goal is maximum customer satisfaction, but not the financial profit or KPI, as it has been before. According to the coach Natalia Kuznetsova: "Our department works on the first goal - customer satisfaction. We change the thinking of our employees. The employees have begun to think more not about the plans that we do not have now, but about what the customer wants from us" (Alekseeva & Chernov, 2017). Thus, the employees perform their tasks keeping in mind the evolutionary goal of customer satisfaction. According to German Gref: "In this sense, everything is completely different from what it is customary in the bank now. Wonderful coaches in the offices and very interesting results of the first months of work. And I think that this is the right way for us to move forward. The whole team has a sense of ownership: they feel responsible for building long-term relationships with the customers, and this greatly increases the involvement and satisfaction of people with work. Very many processes are transformed. We see the most important thing - the gleaming eyes of our customers. For the sake of this it is worthwhile to carry out similar experiments" (Alekseeva & Chernov, 2017).

Another example of the Russian teal organization is the company VkusVill. According to the founder of the food networks Izbenka and VkusVill, the buyers are the main value, and the closest people to the buyers are the sellers, therefore their opinions are taken into account when making the important decisions. The office workers have a fairly flexible work schedule, someone starts his/her work in the morning, someone comes later. Since it is impossible to introduce a free schedule in the stores, the sellers themselves and their colleagues negotiate the operation schedule. There is also a system similar to KPI, which is based on corporate promises, but they are set by the employees. The promises are established between the employee and the customer. Thus, the earnings of an employee depend heavily on how well the promise is fulfilled: "Every employee is an entrepreneur within the framework of one big company. If he/she works badly, he/she does not get profit" (Zhytkova, 2018). The company's success can be expressed as follows: "He has created a network from scratch for seven years, which brought 5.6 billion roubles of revenues and 278 million roubles of profit last year, according to SPARK" (Zhytkova, 2018).

#### 4 Summary

By evaluating the experimental companies of F. Lalou and the results obtained by him, we can conclude that the innovative model of teal organizations is quite promising. The scope of this model is quite extensive: medicine, commerce, financial industry and even electricity.

However, when evaluating this model from different sides, a dual opinion arises. We see that, working according to the "teal" rules, both sides, the employer and the employees, feel comfortable and this is very important. In today's world, the employers have seriously begun to realize the importance of the comfort and well-being of the employees for revealing their potential, motivation. The teal model takes care of the employees best of all others: gives the right to choose, the right to make decisions, self-development, thereby building a road to the development and growth of the company. However, it is important to note that success in these types of organizations will depend largely on how correctly the following three most important principles are applied: self-management, integrity and evolutionary goal. Also, according to F. Lalou, the division of values of the teal worldview by the top management and the owners is an important component. Thus, he gives an example of AES (Applied Energy Services) operating in the energy sector,

which has been an advanced company that has introduced the principles of self-government into its organizational model. The company grew at a rather rapid pace, had 40,000 employees, thereby acquiring a prestigious position in the electricity industry. However, the time has come when the views on the principles of self-government among the investors and the members of the boards of directors began to drastically differ, and, as a result, the company returned to the former "proven" principles of the organizational model (Lalou, 2017).

Speaking about the effectiveness of the teal model of the organization, it is difficult to give a particular estimate in this case. Frederic Lalou in his experiment studied many companies and various industries with a varying number of employees and received quite positive results. But nevertheless, the teal model is new and it is difficult to specify its effectiveness. It is also worth noting that F. Lalou does not fully disclose the whole nature of the teal idea, so there is also a risk that the requirements for implementing this model can be underestimated (Freeman, 2016). Another important component is that each stage of mankind consciousness can be characterized by a "shadow" (Dębowski & Konkel, 2017). Yet, F. Lalou asserts that we are at a stage where we do not need to try to change or improve the past models, but immediately switch to a new one (Lalou, 2015).

#### 5 Conclusions

Thus, the model of teal organizations is an idea of the principles of work of the future companies. The paper considered some examples of the introduction of "teal" ideas, which brought significant success to the companies. Nevertheless, it should be borne in mind that each idea has its own merits and demerits, and the teal model is no exception. In general, the modern world began to realize that it is respect for the personal internal potential of each employee, a vision of not a machine, but a person in him/her can lead to great success. Thus, the idea of teal organizations is an excellent example, directing the employees to know themselves, their abilities, their potential and apply them to the development of the organization.

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