

The Emergence of the Market-Oriented Ecosystem (MOE) Organization

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Over the last number of years, we (Arthur Yeung and Dave Ulrich) have been trying to understand how organizations are reinventing themselves to shed their past, quickly respond to market opportunities, change their structure, govern for agility and innovation, and empower all leaders to make choices to win.

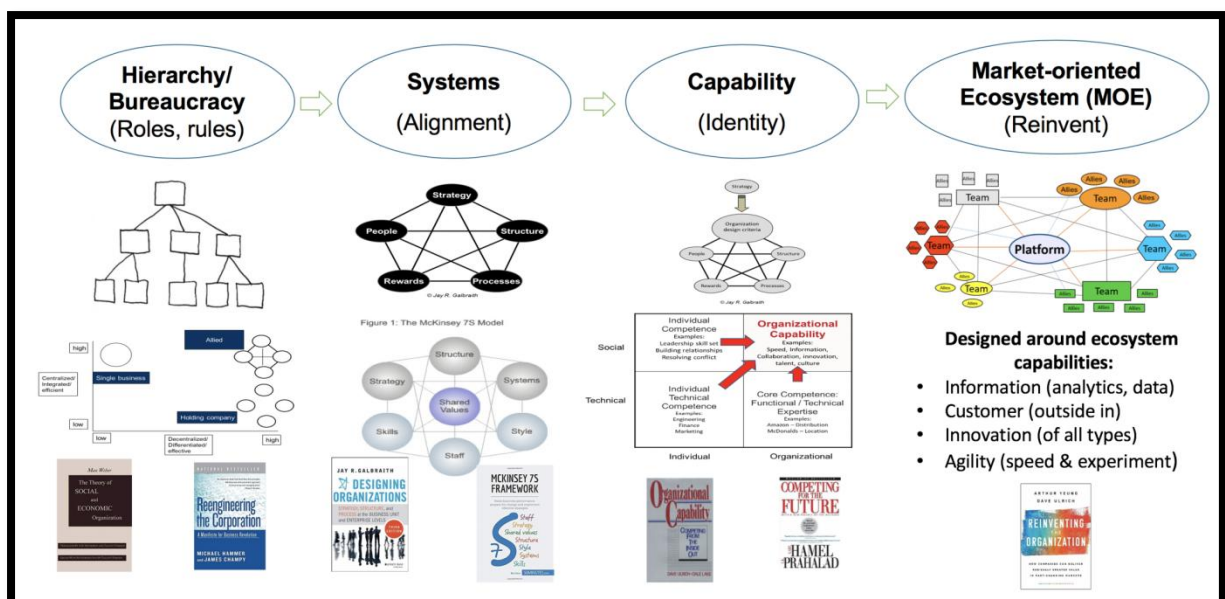
We followed three tracks to reinvent organization thinking. First, we synthesized and integrated a plethora of innovative organization ideas (holocracy, exponential, ameba, team of teams, boundaryless, network, platform, agile, ambidextrous, lattice, and so forth). We pulled these separate insights into an integrated framework that guides leaders as they reinvent their organization. Second, we identified some of the most innovative and successful organizations of our time from China (Alibaba, Tencent, Haier, Huawei), the US (Amazon, Facebook, Google) and Europe (Supercell) and were able to do deep dives into these organizations to explore how they are reinventing their organizations to win. Third, we drew on our personal experiences. For the last 4 decades, we have observed, studied, and advised 100's of organizations and have drawn on that experience.

From these streams of work, we wrote a book *Reinventing the Organization* (2019- HBR Press) to propose both the principles and practices that reinvent how to think about and build organizations. We hope these ideas will help any business leader tasked to build stronger organizations and organization architects (in HR, organization development, or consulting) who shape and deliver this new organization form.

The emergence of a new organization form

From this work, we see a four-phase evolution of organizational forms from hierarchy or bureaucracy to aligned systems to capability to what we call a market-oriented ecosystem.

Figure 1: Evolution of Organizational Form



Definition of the Market-Oriented Ecosystem (MOE)

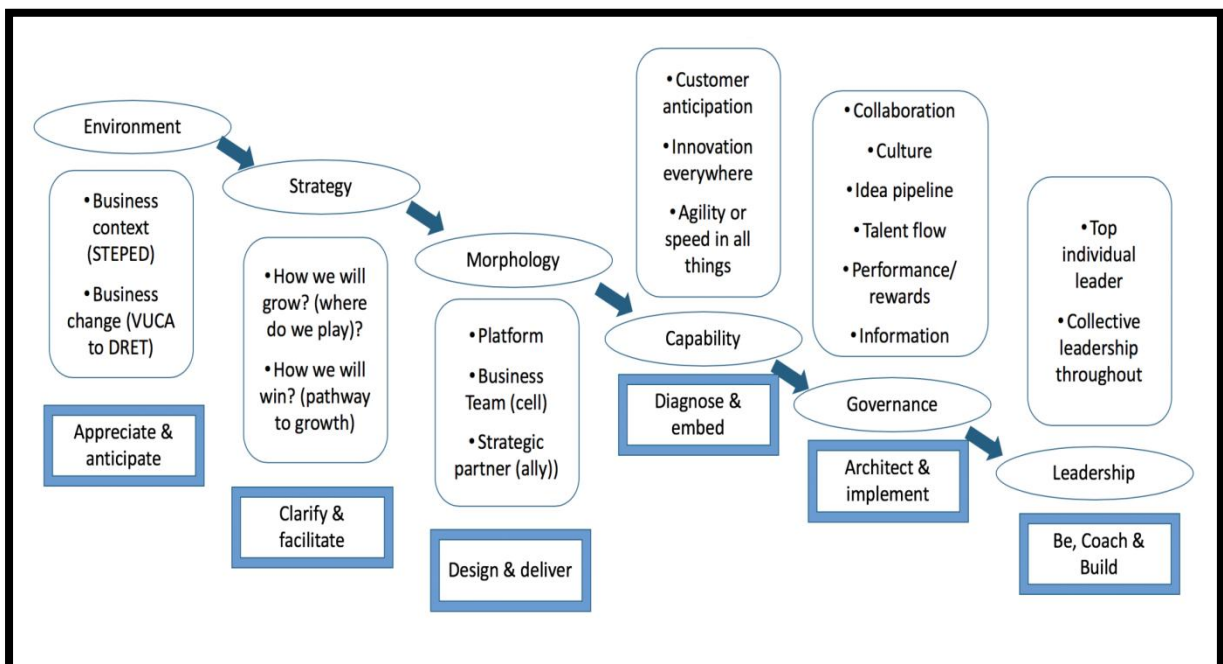
In today’s digital world of incredible change, volatility, disruption, and turbulence, organizations need to reinvent themselves to become ever-more responsive to dynamic market opportunities. We decided to name the reinvented organization a *market-oriented ecosystem (MOE)*. Even though it is a bit of a “clunky” phrase, it captures the essence of the emerging organization logic because it starts with market-oriented opportunities: opportunities beyond mere market share. Market opportunities create a compelling purpose that brings people together. *Ecosystem* then refers to how resources and people are organized to win in the marketplace.

In the MOE, instead of being organized by divisions where a chain of command allocates resources, the MOE has a platform of resources (money, people, technology) that is 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, this organizational logic might be seen as holding companies—with a hub and spokes. But the MOE connects the independent teams or cells into an ecosystem because these teams could share information about customers, innovation, and agility. The MOE is a novel way of designing organizations to be both small (independent cells) and large (ecosystems), innovative (new market insights discovered in market-oriented cells) and learning (sharing information across cells).

Dimensions of the Market-Oriented Ecosystem

Based on the synthesis of other work and our research we identified six principles and practices that any business or HR leader can use to reinvent their organization (Figure 2).

Figure 2: Dimensions of the Market-oriented Ecosystem (MOE)



Each of these six dimensions leads to a diagnostic and pathway for improving your organization.

1. *Environment:* How well does your company appreciate and anticipate the trends and changes in your business context: social, technical, economic, political, environmental, and demographic? The pace of change in each of these areas demands ever-increasing responsiveness and innovation. Successful organizations look beyond current market conditions to anticipate what's next and create what can be.

2. *Strategy:* How well does your company grow your businesses and through what paths? Leading companies today don't just seek market share but anticipate and create market opportunity. They clearly see how to allocate resources to create strategic agility to capture these opportunities.

3. *Ecosystem capabilities:* How well does your company win by leveraging strengths to be truly customer-centric, innovative, and agile through shared resources, information, technology, and engaged employees? Successful MOEs create capabilities in the ecosystem more than within the boundaries of any single organization unit..

4. *Morphology:* How well does your company have the right organizational form to deliver these ecosystem capabilities and capture market opportunities? The form most useful in this regard consists of platforms, cells, and allies, which offers a new organizational logic that is not pure matrix, multi-divisional, or holding company, traditional organization forms.

5. *Governance mechanisms:* How well does your company make mutually reinforcing decisions and actions based on shared culture, performance accountability, idea generation, talent pipeline, information transparency, and collaboration? These governance mechanisms guide and reinforce the mission, vision, and operations of the firm and its ecosystem.

6. *Leadership at all levels:* How well do the top leaders of your company set the context and rules for self-driven units to operate through market-oriented relationships? How well do your leaders empower, energize, and orient employees through the right culture through five roles (business strategist, organization architect, culture definer, talent manager, and personal proficiency)?

By understanding and systematically addressing these six dimensions, leaders in any organization can create and scale an organization that serves customers, continually innovates, and agilely responds to opportunities and challenges.

Moving ahead

Learning the logic and dimensions from our research will help organizations avoid becoming the next Blockbuster, Sears, or Nokia that failed to adapt when market conditions shifted. Once leaders learn these principles, they'll let go of organizational assumptions and will instead capitalize on a design logic and language for reinvention and pivot to opportunities fluidly that will transform a company as fast as the environment changes.

HR can help define and audit the firm along the six dimensions that comprise an MOE to determine how well an organization is prepared for the digital age and where to focus improvement efforts. HR can facilitate an assessment among senior leaders and with a cross-section of other employees using the diagnostic questions above. In the next weeks and months, we will post more about this emerging organization logic.

How are you able to help your organization reinvent itself?