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## Book Review: Reinventing the Organization: How Companies Can Deliver Radically Greater Value in Fast-Changing Markets

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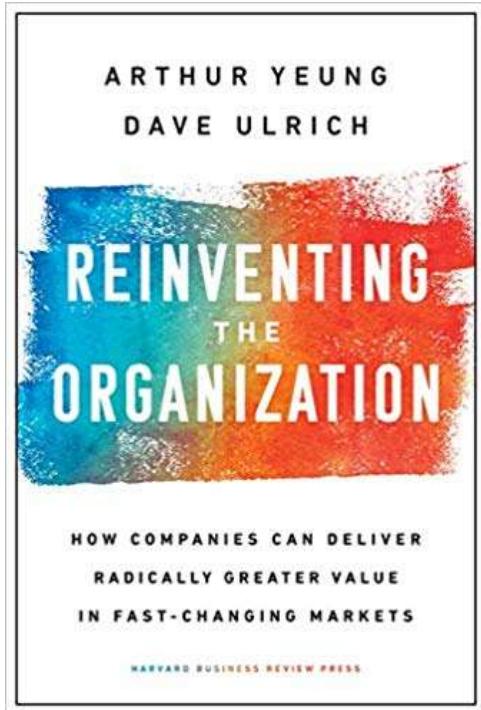
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## Book Review

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# Reinventing the Organization: How Companies Can Deliver Radically Greater Value in Fast-Changing Markets

—Reviewer Professor M.S. Rao, Ph.D

"Yeung and Ulrich have succinctly described and prescribed the principles and practices for the next-generation organizational model."

— Cheng Wei, *founder, Chairman, and CEO, DiDi*

### What are the Details of the Book?

If you want to reinvent organizations as per the changing times and technologies, read this book. If you want to acquire updated ideas and insights on strategy, HR and organizational development, read this book. If you want to understand agile organizations,

read this book. Arthur Yeung and Dave Ulrich's authored book *Reinventing the Organization: How Companies Can Deliver Radically Greater Value in Fast-Changing Markets* provides leaders with a blueprint for reinventing the organization.

This book is about companies where people link arms. Where hierarchy, bureaucracy, politics, and division are not impediments. Where bad ideas don't survive. Where leaders help people to succeed and don't boss them around. Where the start conditions for every undertaking is small, high energy, and high purpose. Where teams disband quickly when they realize they are working on a bad idea. Where the feeling of being a start-up balanced on the knife-edge of success on one side and failure on the other never truly goes away. Where meaning, relationship, professional identification, purpose, relationship, ability to work with others who will bring extra value to their efforts, and sense of contribution drive everything.

### What is Inside?

Based on their in-depth research at leading Chinese, US, and European firms such as Alibaba, Amazon, DiDi, Facebook, Google, Huawei, Supercell, and Tencent, and drawing from their synthesis of the latest organization research and practice, authors explain how to build a new kind of organization that responds to changing market opportunities with speed and scale. They offer a practical, integrated, six-step framework and look at all the decisions leaders need to make—choosing the right strategies, capabilities, structure, culture,

management tools, and leadership—to deliver radically greater value in fast-moving markets. They offer a six-part framework for reinventing the organization as a market-oriented ecosystem (MOE) — environment, strategy, capability, morphology, governance, and leadership.

The authors explain that each industrial age comes with its own language. The first industrial revolution was about mechanical production, with insights on steam engine, machine tools, and factories. The second industrial revolution was the age of science and mass production, with gasoline engines, airplanes, assembly lines, and electricity and lighting. The third and current revolution is about connectivity, digitalization, and big data.

The authors unveil that 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 fourteen leadership principles and weaves them in all 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). They share the following leadership lessons from Jack Ma, founder of Alibaba: develop one valuable skill that sets you apart from everyone else (in his case, English); embrace your shortcomings (Forrest Gump as role model); never give up; it's never too late to start; create a clear, lengthy, purposeful vision, and promote your values; and have an obsessive personal mantras and heartfelt stories.

## **Industry Transformations**

The authors underscore industry transformations in various sectors as follows. In the hospitality industry, Airbnb (started in 2008) offers more lodging that does any hotel chain in the world (Hilton, Marriott, Hyatt, Intercontinental). Remarkably, the largest lodging firm in the world owns no hotel rooms. Airbnb customers (guests) have more choice, can contact hosts directly and often have a more intimate customer experience.

In the automotive rental and taxi services, Uber (founded 2009), Lyft (2012), and DiDi (2012) offer ride-sharing that disrupts the traditional taxi and car-rental industries. Today, the largest taxi companies in the world own no cars. DiDi provides services that include taxi-hailing and private-car hailing. Customers participate in the sharing economy and have more flexibility on price, service, and availability. Drivers (independent contractors) also have the flexibility of work hours and autonomy.

In the self-driving cars, many companies are competing to create the driverless car: Waymo (part of Google ecosystem), Uber, Tesla, and most traditional automotive companies (e.g., BMW, Ford, GM, Mercedes Benz, Nissan, and Toyota). In a huge change from the old system, the car that now transports you does not have to have a driver! Self-driving cars rely on AI, artificial neural learning, sensors, and other technologies to automate driving. Throughout the entire transportation industry, customers — including drivers, delivery, insurance, manufacturing, and so forth — will be affected.

In the E-commerce; online shopping, every retail organization (brick and mortar, grocery, pharmacy, travel) has integrated e-commerce, which continues to rapidly expand, reinvent the retail model, and provide extraordinary shopping experiences. The store where you shop today often has no physical footprint. Smart retail relies on technological advances in big data, the internet of things, mass customization, machine learning, AI, robotics, and the

digitization of assets, operations, and the workforce. Customers have greater flexibility, choice, and customization of products and services.

In the education sector, massive open online courses and other forms of digital learning are making quality education universal; nearly all universities offer a form of online education. The setting where you learn might no longer be a classroom. Khan Academy (a free online academy), TED talks, Wikipedia, and other information sources are readily available to customers. Customers who want to learn can use blended learning to access real-time knowledge.

In financial services, all forms of banking are being disrupted: depositing and investing money, paying for services (a cashless society), and insurance. Carrying cash and going to a bank are fast becoming things of the past. Technologies like blockchain, cloud data, big data, predictive analytics, robots, and AI are shaping financial experiences. Customers have much more control over how to manage their money.

In the health care sector, vertical integration is occurring with ventures like CVS and Aetna. Technology is rapidly changing diagnosis and treatment (e.g., telemedicine). Your doctor need not be present to serve you. Because customers know more about their health than they used to, they can make better-informed decisions about their health.

## **Leadership Takeaways**

- Stop being run by the internal logic of neat lines and boxes, focus instead on what the external world both wants today and needs tomorrow, and design the organization accordingly. The truth is that the outside world has no interest in your organizational structure and no stake in your past practices.
- Change from a one-size-fits-all approach in organizational management to differentiated approaches based on different phases of the organizational life cycle (e.g., experimentation phase, growth/mature phase, decline phase) and different customer requirements they are trying to meet.
- Let go of a mentality of “making trade-offs” and seek instead to optimize solutions to the paradoxes inherent in today’s world. For example, consistently delivering quality solutions while also constantly changing, balancing innovations with calculated risks, top-down direction with bottom-up initiatives. The outside world wants it all.
- Trust the desire and ability of your own people to succeed, and free them to be agents of their own personal development, learning, and growth. Turn jobs into callings; goals into passions; responsibilities into opportunities.
- Encourage individual entrepreneurship that will deliver maximum satisfaction to the employee and the institution. The more success depends on unleashing the energy and creativity of knowledge-workers, the more important this principle.
- Provide employees what they need to succeed in very easy terms: technology, financial backing, information systems, HR processes and the like.
- Prize fluidity and the ability to shift and pivot. Going forward, our most successful efforts will take us into new products and services we not yet even have imagined. Experimentation, rapid trial and error, agile discarding of errors and nimble adoption of successes is the ONLY way forward. There will be no end to these cycles going forward.

- In a world of inevitable and rapid change, it is not information that matters but how the information is accessed and applied.
- No one can create the core but the company itself: the core is too tightly tied and critical to the vision and mission. Only Google could have built its search engine and its advertising infrastructure. Only Amazon could have built its e-commerce business and AWS. And only Tencent could have built its QQ platform and WeChat platform, from which it was able to build its online businesses including games, music, shopping, movies, payment, and cloud.
- The true goal of data is to reveal trends, to enable businesspeople to learn and to make quick, educated, data-driven decisions that have a real impact on the business.
- The most successful market-oriented ecosystems anticipate customers' needs in any of the following ways: seeing their customer's customers; sharing customers across cells and partners; having deep data on customers to anticipate their buying patterns; and being a customer.
- A leader's learning agility, i.e., ability to learn fast, is a key indicator of effective leadership.
- Defining the right culture requires clarifying four concepts: purpose, values, brand, and culture.
- A company's market reputation is its external identity as perceived by its best customers. Amazon wants to be known for its customer obsession, Google for its technological innovation, Facebook for its product, and Supercell for its outstanding games that endure over time. For these reputations to become real, every member of the ecosystem needs to think, act, and feel in ways that broadcast the desired culture. Culture is the greatest brand carrier, and it plays out in every customer interaction.
- Curiosity is an event and creativity is a sustained process. Curiosity leads to creativity, which leads to innovation.
- Executives in so-called legacy companies have to fight against long-standing assumptions to build something new, and leaders of newer companies have to ensure that even their young organizations remain relevant.

The authors share some suggestions to help you increase your chances of successful organizational reinvention. Make sure the right leaders are in place. Look for leaders who are adept at and eager to change and who have a track record of successfully delivering results. If you currently don't have the right leaders in place, promote rising stars from below and hire experienced leaders from the outside. Start small, and find early wins. Select a pilot site that has the highest chance of success. This step means managing duality, because the legacy business may operate with traditional management processes while the pilot business embeds market-oriented ecosystem principles and practices. By running pilots that are likely to succeed, you breed confidence and a virtuous cycle of further success. Develop an organizational prototype that works and that you can replicate in other parts of your organization. An ideal site must have the right leaders; embrace the market disruptions that demand a company's immediate reinvention; and be able to develop a small ecosystem with platform, cells, and allies. Grant your leaders the power to change, and inspire them to be courageous. Give them leeway to innovate in both organizational form and governance mechanisms. Offer them an appropriate blend of accountability, authority, and reward for

shouldering responsibility and responding with agility. Allow them to experiment, fail, learn, and move forward. Foster a commitment to a growth mindset as Nadella is doing at Microsoft. See failures as opportunities to learn. Keep iterating to discover tools or models that work for you. Be patient as organizational reinvention takes time to see results.

## **What is the Recommendation?**

This book deals with strategy, leadership, human resources (HR), and organizational development (OD). It helps reinvent organizations as per the changing times and technologies to build agile organizations globally. It helps leaders and CEOs to keep pace with technological changes. It encourages entrepreneurs especially millennials to explore and experiment technology-based businesses. The organizational models outlined in this book are useful not only for internet and high-tech firms but also for other sectors especially in the new era of digital and technological empowerment. It is written in a conversational tone. Each word in this book is a pearl. The ideas and insights on Strategy, HR, and OD and are well-punctuated. It is an inspiring book with striking stories and shocking research findings illustrating with examples of Amazon, Facebook, Google, Alibaba, Huawei, Supercell, and Tencent.

This book is the need of the hour in the current global business environment. It inspires you to break conventional thinking about what your organization — young or old — can do. You get the best of the best pieces of advice, ideas, and insights from this book. It is one of the best leadership books I have ever read. It is useful for all those in strategy, HR, OD and consulting. You can gift this book to your friends and they will thank you forever for your kind gesture. I highly recommend this book for a deserved place on your leadership bookshelf.

**“Yeung and Ulrich bring rich observations and clear advice on the radical changes in organization and work design, governance, and leadership style needed to thrive in the digital era.”**

—Diane Gherson, *Chief Human Resources Officer, IBM*

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*Reinventing the Organization: How Companies Can Deliver Radically Greater Value in Fast-Changing Markets* by Arthur Yeung and Dave Ulrich (Harvard Business Review Press, September 24, 2019).

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