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to be their most productive**
by Rob Goffee and Gareth Jones





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Suppose you want to design the best company on earth to work for. What would it be like? For three years we've been investigating this question by asking hundreds of executives in surveys and in seminars all over the world to describe their ideal organization. This mission arose from our research into the relationship between authenticity and effective leadership. Simply put, people will not follow a leader they feel is inauthentic. But the executives we questioned made it clear that to be authentic, they needed to work for an authentic organization.

What did they mean? Many of their answers were highly specific, of course. But underlying the differences of circumstance, industry, and individual ambition we found six common imperatives. Together they describe an organization that operates at its fullest potential by allowing people to do their best work.

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We call this “the organization of your dreams.” In a nutshell, it’s a company where individual differences are nurtured; information is not suppressed or spun; the company adds value to employees, rather than merely extracting it from them; the organization stands for something meaningful; the work itself is intrinsically rewarding; and there are no stupid rules.

These principles might all sound commonsensical. Who wouldn’t want to work in a place that follows them? Executives are certainly aware of the benefits, which many studies have confirmed. Take these two examples: Research from the Hay Group finds that highly engaged employees are, on average, 50% more likely to exceed expectations than the least-engaged workers. And companies with highly engaged people outperform firms with the most disengaged folks—by 54% in employee retention, by 89% in customer satisfaction, and by fourfold in revenue growth. Recent research by our London Business School colleague Dan Cable shows that employees who feel welcome to express their authentic selves at work exhibit higher levels of organizational commitment, individual performance, and propensity to help others.

Yet, few, if any, organizations possess all six virtues. Several of the attributes run counter to traditional practices and ingrained habits. Others are, frankly, complicated and can be costly to implement. Some conflict with one another. Almost all require leaders to carefully balance competing interests and to rethink how they allocate their time and attention.

So the company of your dreams remains largely aspirational. We offer our findings, therefore, as a challenge: an agenda for leaders and organizations that aim to create the most productive and rewarding working environment possible.

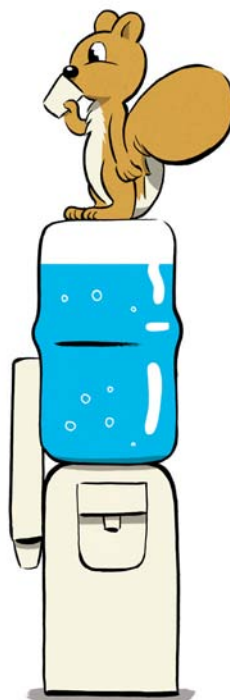
Let People Be Themselves

When companies try to accommodate differences, they too often confine themselves to traditional diversity categories—gender, race, age, ethnicity, and the like. These efforts are laudable, but the executives we interviewed were after something more subtle—differences in perspectives, habits of mind, and core assumptions.

The vice chancellor at one of the world’s leading universities, for instance, would walk around campus late at night to locate the research hot spots. A tough-minded physicist, he expected to find them in the science labs. But much to his surprise, he discov-



The ideal organization makes explicit efforts to transcend the dominant currents in its culture.



ered them in all kinds of academic disciplines—ancient history, drama, the Spanish department.

The ideal organization is aware of dominant currents in its culture, work habits, dress code, traditions, and governing assumptions but, like the chancellor, makes explicit efforts to transcend them. We are talking not just about the buttoned-down financial services company that embraces the IT guys in shorts and sandals, but also the hipster organization that doesn’t look askance when someone wears a suit. Or the place where nearly everyone comes in at odd hours but that accommodates the one or two people who prefer a 9-to-5 schedule.

For example, at LVMH, the world’s largest luxury-goods company (and growing rapidly), you’d expect to find brilliant, creative innovators like Marc Jacobs and Phoebe Philo. And you do. But alongside them you also encounter a higher-than-expected proportion of executives and specialists who monitor and assess ideas with an analytical business focus. One of the ingredients in LVMH’s success is having a culture where opposite types can thrive and work cooperatively. Careful selection is part of the secret: LVMH looks for creative people who want their designs to be marketable and who, in turn, are more likely to appreciate monitors who are skilled at spotting commercial potential.

The benefits of tapping the full range of people’s knowledge and talents may be obvious, yet it’s not surprising that so few companies do it. For one thing, uncovering biases isn’t easy. (Consider the assumption the diligent chancellor made when he equated research intensity with late-night lab work.) More fundamentally, though, efforts to nurture individuality run up against countervailing efforts to increase organizational effectiveness by forging clear incentive systems and career paths. Competence models, appraisal systems, management by objectives, and tightly defined recruitment policies all narrow the range of acceptable behavior.

Companies that succeed in nurturing individuality, therefore, may have to forgo some degree of organizational orderliness. Take Arup, perhaps the world’s most creative engineering and design company. Many iconic buildings bear the mark of Arup’s distinctive imprint—from the Sydney Opera House to the Centre Pompidou to the Beijing Water Cube.

Arup approaches its work holistically. When the firm builds a suspension bridge, for example, it looks beyond the concerns of the immediate client to the region that relies on the bridge. To do so, Arup’s peo-

Idea in Brief

You want to design the best company on earth to work for. What would it be like? The response from hundreds of executives all over the world, in a nutshell, is that their dream organization is a place where:

- You can be yourself.
- You're told what's really going on.
- Your strengths are magnified.
- The company stands for something meaningful.
- Your daily work is rewarding.
- Stupid rules don't exist.

Those virtues seem like common sense, but few companies exemplify all six. Some of the attributes conflict, and many are complicated, costly, or time-consuming to implement. Almost all of them require leaders to carefully balance competing interests and reallocate their time and attention. So the list stands as a challenge: It's an agenda for executives who aim to create the most productive and rewarding working environment possible.



ple collaborate with mathematicians, economists, artists, and politicians alike. Accordingly, Arup considers the capacity to absorb different skill sets and personalities as key to its strategy. "We want there to be interesting parts that don't quite fit in...that take us places where we didn't expect to get to," says chairman Philip Dilley. "That's part of my job now—to prevent it from becoming totally orderly."

Conventional appraisal systems don't work in such a world, so Arup doesn't use quantitative performance-measurement systems or articulate a corporate policy on how employees should progress. Managers make their expectations clear, but individuals decide how to meet them. "Self-determination means setting your own path and being accountable for your success," a senior HR official explains. "Development and progression is your own business, with our support."

If this sounds too chaotic for a more conventional company, consider Waitrose, one of Britain's most successful food retailers, according to measures as diverse as market share, profitability, and customer and staff loyalty. In an industry that necessarily focuses on executing processes efficiently, Waitrose sees its competitive edge in nurturing the small sparks of creativity that make a big difference to the customer experience.

Waitrose is a cooperative: Every employee is a co-owner who shares in the company's annual profits. So the source of staff loyalty is not much of a mystery. But even so, the company goes to great lengths to draw out and support people's personal interests. If you want to learn piano, Waitrose will pay half the cost of the lessons. There's a thriving club culture—cooking, crafts, swimming, and so on. We have a friend whose father learned to sail because he worked for this organization. In that way, Waitrose strives to create an atmosphere where people feel comfortable being themselves. We were struck



when a senior executive told us, "Friends and family would recognize me at work."

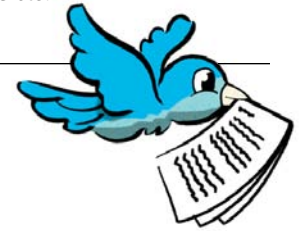
"Great retail businesses depend on characters who do things a bit differently," another executive explained. "Over the years we have had lots of them. We must be careful to cherish them and make sure our systems don't squeeze them out."

Pursuit of predictability leads to a culture of conformity, what Emile Durkheim called "mechanical solidarity." But companies like LVMH, Arup, and Waitrose are forged out of "organic solidarity"—which, Durkheim argued, rests on the productive exploitation of differences. Why go to all the trouble? We think Ted Mathas, head of the mutual insurance company New York Life, explains it best: "When I was appointed CEO, my biggest concern was, would this [job] allow me to truly say what I think? I needed to be myself to do a good job. Everybody does."

Unleash the Flow of Information

The organization of your dreams does not deceive, stonewall, distort, or spin. It recognizes that in the age of Facebook, WikiLeaks, and Twitter, you're better off telling people the truth before someone else does. It respects its employees' need to know what's really going on so that they can do their jobs, particularly in volatile environments where it's already difficult to keep everyone aligned and where workers at all levels are being asked to think more strategically. You'd imagine that would be self-evident to managers everywhere. In reality, the barriers to what we call "radical honesty"—that is, entirely candid, complete, clear, and timely communication—are legion.

Some managers see parceling out information on a need-to-know basis as important to maintaining efficiency. Others practice a seemingly benign type of paternalism, reluctant to worry staff with certain information or to identify a problem before having a solution. Some feel an obligation to put a



The “Dream Company” Diagnostic

How close is your organization to the ideal?

Let Me Be Myself

- I’m the same person at home as I am at work.
- I feel comfortable being myself.
- We’re all encouraged to express our differences.
- People who think differently from most do well here.
- Passion is encouraged, even when it leads to conflict.
- More than one type of person fits in here.

Tell Me What’s Really Going On

- We’re all told the whole story.
- Information is not spun.
- It’s not disloyal to say something negative.
- My manager wants to hear bad news.
- Top executives want to hear bad news.
- Many channels of communication are available to us.
- I feel comfortable signing my name to comments I make.

Discover and Magnify My Strengths

- I am given the chance to develop.
- Every employee is given the chance to develop.
- The best people want to strut their stuff here.
- The weakest performers can see a path to improvement.
- Compensation is fairly distributed throughout the organization.
- We generate value for ourselves by adding value to others.

positive spin on even the most negative situations out of a best-foot-forward sense of loyalty to the organization.

The reluctance to be the bearer of bad news is deeply human, and many top executives well know that this tendency can strangle the flow of critical information. Take Novo Nordisk’s Mads Øvlisen, who was CEO in the 1990s, when violations of FDA regulations at the company’s Danish insulin-production facilities became so serious that U.S. regulators nearly banned the insulin from the U.S. market. Incredible as it seems in hindsight, no one told Øvlisen about the situation. That’s because Novo Nordisk operated under a culture in which the executive management board was never supposed to receive bad news.

The company took formal steps to rectify the situation, redesigning the company’s entire quality-management system—its processes, procedures, and training of all involved personnel. Eventually, those practices were extended to new-product development, manufacturing, distribution, sales, and support systems. More generally, a vision, core values, and a set of management principles were explicitly articulated as the Novo Nordisk Way. To get at the root cause of the crisis, Øvlisen also set out to create a new culture of honesty through a process he called “organizational facilitation”—that is, facilitation of the flow of honest information.

A core team of facilitators (internal management auditors) with long organizational experience now regularly visit all of the company’s worldwide affiliates. They interview randomly selected employees and managers to assess whether the Novo Nordisk Way is being practiced. Employees know, for instance, that they must inform all stakeholders both within and outside the organization of what’s happening, even when something goes wrong, as quickly as possible. Does this really happen? Many employees have told us that they appreciate these



site visits because they foster honest conversations about fundamental business values and processes.

Radical honesty is not easy to implement. It requires opening many different communication channels, which can be time-consuming to maintain. And for previously insulated top managers, it can be somewhat ego-bruising. Witness what ensued when Novo Nordisk recently banned soda from all its buildings. PeopleCom, the company’s internal news site, was flooded with hundreds of passionate responses. Some people saw it as an attack on personal freedom. (“I wonder what will be the next thing NN will ‘help’ me not to do,” wrote one exasperated employee. “Ban fresh fruit in an effort to reduce sugar consumption?”) Others defended the policy as a logical extension of the company’s focus on diabetes. (“We can still purchase our own sugary soft drinks...Novo Nordisk shouldn’t be a 7-Eleven.”) That all these comments were signed indicates how much honesty has infused Novo Nordisk’s culture.

Trade secrets will always require confidentiality. And we don’t want to suggest that honesty will necessarily stop problems from arising, particularly in highly regulated industries that routinely find themselves under scrutiny. We maintain, though, that executives should err on the side of transparency far more than their instincts suggest. Particularly today, when trust levels among both employees and customers are so low and background noise is so high, organizations must work very hard to communicate what’s going on if they are to be heard and believed.

Think not about how much value to extract from workers but about how much value to instill in them.



Magnify People’s Strengths

The ideal company makes its best employees even better—and the least of them better than they ever thought they could be. In robust economies, when competition for talent is fierce, it’s easy to see that the benefits of developing existing staff outweigh the costs of finding new workers. But even then, compa-

To find out, check off each statement that applies. The more check marks you have, the closer you are to the dream.

Make Me Proud I Work Here

- I know what we stand for.
- I value what we stand for.
- I want to exceed my current duties.
- Profit is not our overriding goal.
- I am accomplishing something worthwhile.
- I like to tell people where I work.

Make My Work Meaningful

- My job is meaningful to me.
- My duties make sense to me.
- My work gives me energy and pleasure.
- I understand how my job fits with everyone else's.
- Everyone's job is necessary.
- At work we share a common cause.

Don't Hinder Me with Stupid Rules

- We keep things simple.
- The rules are clear and apply equally to everyone.
- I know what the rules are for.
- Everyone knows what the rules are for.
- We, as an organization, resist red tape.
- Authority is respected.

nies grumble about losing their investment when people decamp for more-promising opportunities. In both good times and bad, managers are far more often rewarded for minimizing labor costs than for the longer-term goal of increasing workers' effectiveness. Perhaps that explains why this aspiration, while so widely recognized and well understood, often remains unfulfilled.

Elite universities and hospitals, Goldman Sachs and McKinsey, and design firms like Arup have all been adding value to valuable people for a very long time. Google and Apple are more recent examples. They do this in myriad ways—by providing networks, creative interaction with peers, stretch assignments, training, and a brand that confers elite status on employees. None of this is rocket science, nor is it likely to be news to anyone.

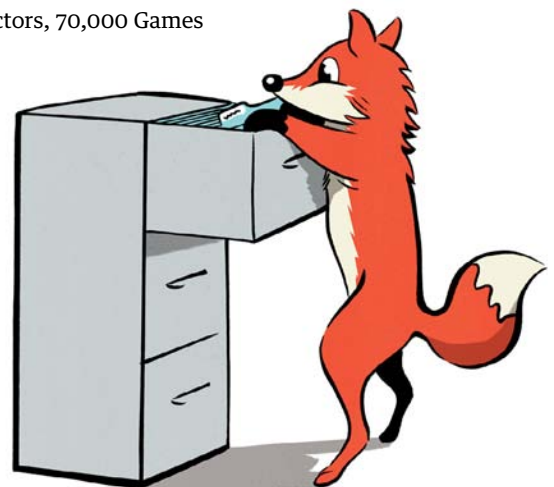
But the challenge of finding, training, and retaining excellent workers is not confined to specialized, high-tech, or high-finance industries. We contend that the employee-employer relationship is shifting in many industries from how much value can be extracted from workers to how much can be instilled in them. At heart, that's what productivity improvement really means.

Take McDonald's, a company founded on the primacy of cost efficiency. In an economy with plenty of people looking for jobs, McDonald's nevertheless focuses on the growth paths of its frontline workers—and on a large scale. In the UK, the company invests £36 million (\$55 million) a year in giving its 87,500 employees the chance to gain a wide range of nationally recognized academic qualifications while they work. One of the largest apprenticeship providers in the country, McDonald's has awarded more than 35,000 such qualifications to employees since the program's launch in 2006. Every week the equivalent of six full classes of students acquire formal credentials in math and English. Every day

another 20 employees earn an apprenticeship qualification.

Like many large companies, McDonald's has extensive management training programs for its executives, but the firm also extends that effort to restaurant general managers, department managers, and shift managers who, as the day-to-day leaders on the front lines, are taught the communication and coaching skills they need to motivate crews and to hit their shifts' sales targets. The return on the company's investment is measured not in terms of increased revenue or profitability but in lower turnover of hourly managers and their crews. Turnover has declined steadily since the programs were initiated, as reflected in the Great Place to Work Institute's recognition of McDonald's as one of the 50 best workplaces every year since 2007.

To get a sense of how far employee development can be taken, consider Games Makers, the volunteer training effort mounted by the London Organising Committee of the Olympic Games. LOCOG was responsible for the largest peacetime workforce ever assembled in the UK. It coordinated the activities of more than 100,000 subcontractors, 70,000 Games Makers volunteers, and 8,000 paid staff. Games Makers used bold, imaginative schemes to employ people who had never worked or volunteered before. Through its Trailblazer program, for example, paid staff learned how to work effectively with volunteers of all social backgrounds. Through a partnership with other state agencies, the Personal Best program enabled more than 7,500 disadvantaged, long-term-unemployed individuals,





some with physical or learning disabilities, to earn a job qualification. Games Makers' School Leavers program targeted students who have left school in east London, the host borough for the games, by granting them two three-month placements that, upon successful completion, were followed by a contract for employment until the end of the event. LOCOG's model has inspired government agencies and private-sector employment bureaus in the UK to rewrite their work-engagement guidelines to enable them to tap into—and make productive—a far wider range of people than had previously been considered employable.

We recognize that promising to bring out the best in everyone is a high-risk, high-reward strategy. It raises reputational capital, and such capital is easily destroyed. Goldman Sachs, for one, spent years building its reputation as the most exciting investment bank of all. That's why Greg Smith's scathing resignation letter, accusing the company of not living up to its own standards, was so damaging. Once a company heads down this road, it has to keep going.

Stand for More Than Shareholder Value

People want to be a part of something bigger than themselves, something they can believe in. "I've worked in organizations where people try to brainwash me about the virtues of the brand," one seminar participant told us. "I want to work in an organization where I can really feel where the company comes from and what it stands for so that I can live the brand."

It has become commonplace to assert that organizations need shared meaning, and this is surely so. But shared meaning is about more than fulfilling your mission statement—it's about forging and maintaining powerful connections between personal and organizational values. When you do that, you foster individuality and a strong culture at the same time.

Some people might argue that certain companies have an inherent advantage in this area. An academic colleague once asked us if we were working with anyone interesting. When we mentioned Novo Nordisk, he produced from his briefcase a set of Novo pens for injecting insulin and said simply, "They save my life every day." Engineers who design the side bars for BMW's mini have been known to wake up at 4:00 in the morning to write down ideas that will make the cars safer. And that might be expected of people drawn to the idea of building "the ultimate driving machine."

But the advantage these companies have is not the businesses they're in. The connections they forge stem, rather, from the way they do business. To understand how that works more generally, consider Michael Barry, who once was a teacher made redundant by state spending cuts. Three decades later, the experience remained vividly traumatic: "It was a case of 'last in, first out,' nothing to do with merit. I decided I never wanted to lose my job like that again. I researched things quite carefully, looking for places that were clear about what they wanted."

And where did this idealistic man go? He became an insurance salesman for New York Life. "It is a very different company—from the top down," he said, when we asked him what connection he felt to the company. He further explained it this way: "Back when other life insurance companies were demutualizing and becoming financial services supermarkets, New York Life made it very clear that life insurance would remain our core focus. The agents didn't like it [at first]—they felt they were losing the opportunity to make more money. But Sy Sternberg, the CEO at that time, went to public forums with the agents and pulled no punches. He told us, 'We are a life insurance company, and we are good at it.'" This is more than a business strategy, Barry says. "It's how we operate every day. This is not a place where we wriggle out of claims. One man took out a life policy, went home to write out the check. It was on his desk when he died that night. The policy was unpaid, but we paid the claim. The agents really buy into this."

Current CEO Ted Mathas acknowledges that New York Life's status as a mutual company gives it an advantage in claiming that profit is not all that matters. But he argues that the same logic applies for public firms—that profit is (or should be) an outcome of the pursuit of other, more meaningful goals. Again, this is hardly a new idea. "But many companies in public ownership have lost their way and with it a sense of who they are," Mathas suggests, and we agree.

Show How the Daily Work Makes Sense

Beyond shared meaning, the executives we've spoken to want something else. They seek to derive meaning from their daily activities.

This aspiration cannot be fulfilled in any comprehensive way through job enrichment add-on. It requires nothing less than a deliberate reconsideration of the tasks each person is performing. Do those duties make sense? Why are they what they are? Are

they as engaging as they can be? This is a huge, complex undertaking.

Take John Lewis, the parent company of Waitrose and the department store Peter Jones. In 2012 it completed a review of its more than 2,200 jobs, slotting them within a hierarchy of 10 levels, to make it easier for employees to take advantage of opportunities across the organization. This sounds like a homogenizing move, and it might be at a traditional company. But at John Lewis, which operates for the benefit of its employee owners, it was a deliberate effort to match its people with the work they want to do.

Or consider Rabobank Nederland, the banking arm of the largest financial services provider in the Netherlands, Rabobank Group. After several years of development, the bank has rolled out Rabo Unplugged, an organizational and technical infrastructure that allows employees to connect to one another from practically anywhere while still meeting the stringent encryption standards that banking systems require. With no fixed offices or rigid job descriptions, Rabobank's employees are, like Arup's, responsible for the results of their work. But they are free to choose how, where, when, and with whom to carry it out. This approach requires managers to

of when to impose his will on the team and push it toward a structural, rather than a mechanical or an architecturally oriented, solution. To participate in such an evenhanded, interdependent environment is extremely hard, he says. There were "incredible rewards when it worked well and incredible frustrations when it didn't."

We don't wish to underplay this challenge. But we suggest that the benefits of rising to it are potentially very great. Where work is meaningful, it typically becomes a cause, as it is for the engineers at BMW and the agents at New York Life. We also acknowledge an element of risk: When we interviewed legendary games designer Will Wright, he told us that his primary loyalty was not to his company, Electronic Arts, but to the project—originally for him the record-breaking *Sims* franchise and, more recently, *Spore*. Will ultimately left EA to start his own company, in which EA became a joint investor.

The challenge is similar to that of fostering personal growth. If you don't do it, the best people may leave or never consider you at all. Or your competitors may develop the potential in people you've overlooked. When you do make the investment, your staff members become more valuable to you

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place an extraordinary amount of trust in subordinates, and it demands that employees become more entrepreneurial and collaborative.

Beyond reconsidering individual roles, making work rewarding may mean rethinking the way companies are led. Arup's organization, which might be described as "extreme seamless," is one possible model. As such, it takes some getting used to. In describing how this works in Arup's Associates unit, board member Tristram Carfrae explains: "We have architects, engineers, quantity surveyors, and project managers in the same room together... people who genuinely want to submerge their own egos into the collective and not [be led] in the classic sense." That was a challenge for Carfrae, who as a structural engineer wrestled with the question

and your competitors alike. The trick, then, is to make it meaningful for them to stay.

Have Rules People Can Believe In

No one should be surprised that, for many people, the dream organization is free of arbitrary restrictions. But it does not obliterate all rules. Engineers, even at Arup, must follow procedures and tight quality controls—or buildings will collapse.

Organizations need structure. Markets and enterprises need rules. As successful entrepreneurial businesses grow, they often come to believe that new, complicated processes will undermine their culture. But systematization need not lead to bureaucratization, not if people understand what the rules are for and view them as legitimate. Take Vestergaard



Authentic organizations are clear about what they do well. They are also suspicious of fads and fashions that sweep the corporate world.

Frandsen, a start-up social enterprise that makes mosquito netting for the developing world. The company is mastering the art of behavior codes that can help structure its growing operations without jeopardizing its culture. Hiring (and firing) decisions are intentionally simple—only one level of approval is required for each position. Regional directors have significant freedom within clear deadlines and top- and bottom-line targets. Knowledge-management systems are designed to encourage people to call rather than e-mail one another and to explain why someone is being cc’ed on an e-mail message. Vestergaard sees these simple rules as safeguards rather than threats to its founding values.

Despite the flattening of hierarchies, the ensuing breakdown of organizational boundaries, and the unpredictability of careers, institutions remain what Max Weber calls “imperatively coordinated associations,” where respect for authority is crucial for building and maintaining structure. However, we know that, increasingly, employees are skeptical of purely hierarchical power—of fancy job titles and traditional sources of legitimacy such as age and seniority. And they are becoming more suspicious of charisma, as many charismatic leaders turn out to have feet of clay.

What workers need is a sense of moral authority, derived not from a focus on the efficiency of means but from the importance of the ends they produce. The organization of your dreams gives you powerful reasons to submit to its necessary structures that support the organization’s purpose. In that company, leaders’ authority derives from the answer to a question that Steve Varley, managing partner of Ernst & Young UK, put to senior partners in his inaugural address, after he reported record profits and partners’ earnings: “Is that all there is?” (In reply, he proposed a radical new direction—a program called “Growing Successfully, Making the Difference”—aimed at achieving both financial growth and social change.) During the past 30 years we have heard the following kinds of conversations at many organizations: “I’ll be home late. I’m working on a cure for migraine.” “Still at work. The new U2 album comes out tomorrow—it’s brilliant.” “Very busy on the plan to take insulin

into East Africa.” We have never heard this: “I’ll be home late. I’m increasing shareholder value.”

PEOPLE WANT TO DO GOOD WORK—to feel they matter in an organization that makes a difference. They want to work in a place that magnifies their strengths, not their weaknesses. For that, they need some autonomy and structure, and the organization must be coherent, honest, and open.

But that’s tricky because it requires balancing many competing claims. Achieving the full benefit of diversity means trading the comfort of being surrounded by kindred spirits for the hard work of fitting various kinds of people, work habits, and thought traditions into a vibrant culture. Managers must continually work out when to forge ahead and when to take the time to discuss and compromise.

Our aim here is not to critique modern business structures. But it’s hard not to notice that many of the organizations we’ve highlighted are unusual in their ownership arrangements and ambitions. Featured strongly are partnerships, mutual associations, charitable trusts, and social enterprises. Although all share a desire to generate revenue, few are conventional, large-scale capitalist enterprises.

It would be a mistake to suggest that the organizations are all alike, but two commonalities stand out. First, the institutions are all very clear about what they do well: Novo Nordisk transforms the lives of people with diabetes; Arup creates beautiful environments. Second, the organizations are suspicious, in almost a contrarian way, of fads and fashions that sweep the corporate world.

Work can be liberating, or it can be alienating, exploitative, controlling, and homogenizing. Despite the changes that new technologies and new generations bring, the underlying forces of shareholder capitalism and unexamined bureaucracy remain powerful. As you strive to create an authentic organization and fully realize human potential at work, do not underestimate the challenge. If you do, such organizations will remain the exception rather than the rule—for most people, a mere dream. ♥

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