

The background features several stylized hands in various colors: blue, green, orange, and black. The hands are arranged in a way that they appear to be reaching up or down, creating a sense of movement and collaboration. The colors are vibrant and the shapes are simple, making the graphic easy to understand.

# BUILDING AN INNOVATION DEMOCRACY AT W.L. GORE

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Imagine you've just quit your job with a widely admired industry leader. The decision to leave wasn't easy. Your career was on an upward swing and you were working on an exciting new technology. But after a near-20-year stint, you've decided you've had enough - enough of the politicking, enough of the pokey decision making, and enough of the endless wrangling over budgets and priorities.

Over the years you saw a lot of great ideas get flushed down the toilet of management indifference- or languish while some upstart seized the lead. So you're leaving to start a new company, one where inventors like you won't get bogged down in a swamp of bureaucracy; one where associates will spend a lot more time innovating and a lot less time brownnosing the boss. You hope your company will grow big, but you also want it to feel intimate and stay entrepreneurial.

Given this goal, where would you begin? What core principles would you start with? How would your company be organized? How would decisions get made? Who would be in control? As you look around for answers, you quickly conclude that no one has a blueprint for building an innovators' paradise. It isn't just your company - every big organization is inhospitable to innovation. If you want to build an innovation friendly management system, you're going to have to invent it.

This was the challenge that faced Wilbert ("Bill") L. Gore in 1958 when, after a 17-year career, he left DuPont to strike out on his own. Gore dreamed of building a company devoted to innovation, a company where imagination and initiative would flourish,

where chronically curious engineers would be free to invent, invest, and succeed. Over the next several decades, Gore's vision took shape in the form of W. L. Gore & Associates, a company built around a set of management principles diametrically opposed to much of modern business orthodoxy. Bill's legacy is an organization that today generates \$2.1 billion in annual sales and employs more than 8,000 employees in 45 plants around the world.

You've probably gotten up-close and personal with Gore's best-know product, Gore-Tex fabric, the laminate that helped usher in a revolution in breathable, waterproof outdoor-wear. With its headquarters tucked away in the leafy suburbs outside of Newark, Delaware, Gore has operations in the United States, Scotland, Germany, Japan, and China. A privately held company, Gore is ignored by Wall Street. Yet over the past five decades, it has conducted a bold, and so far successful, experiment in radical management innovation.

Compared with Gore-Tex, the rest of the company's product lineup may seem unheralded, but it is so extensive and varied that at times it seems nearly unquantifiable. Gore's pioneering fabrics, which are found in boots, shoes, headwear, gloves, and sleeping bags, have been worn on expeditions to the North and South Poles and to the top of Mt. Everest. Its medical products, which include synthetic vascular grafts and surgical meshes, have been implanted in more than 13 million patients. Gore fibers are woven into the space suits worn by NASA astronauts. Its membrane technology is used in hydrogen-powered fuel cells. Time and again, Gore has jumped into new, untested markets and seized the lead, as it did with its Elixir guitar strings and Glide dental floss, a product line it sold to Procter & Gamble for an undisclosed sum in 2003. At any one time, there are hundreds of nascent projects under development at Gore. This is a big company that really does behave like a start-up - and makes money doing so. While Gore doesn't break out its annual financial

data, it has reportedly produced a profit every year since its founding.

The seeds of what would become Gore's revolutionary management model were planted while Bill Gore was still at DuPont. Over the course of his career, Gore had several times been assigned to small R&D task groups. These freewheeling teams, with their out-sized objectives and operational autonomy, energized Gore and he knew they invigorated his colleagues as well. Initiative, passion, and courage seemed to flourish in the hothouse of a small, focused team, even when that team was part of a much bigger organization. Why, wondered Gore, couldn't an entire company be designed as a bureaucracy-free zone?

Gore's entrepreneurial zeal was further fueled by a belief that DuPont was grossly underestimating the potential of polytetrafluoroethylene (PTFE), the slick, waxy fluoropolymer known more commonly by the brand name Teflon. Gore felt that DuPont's allegiance to its traditional business model - large-scale production of basic industrial materials was preventing the company from imagining new uses for quirky but exciting materials like PTFE.

So it was that Gore and his wife, Genevieve ("Vieve"), both 45 years old, dumped their life savings into the newly christened company and started ramping up production in the basement of their home. With five children to support, and as many college educations to fund, they had no option but to make the new venture a success. Yet at every step, the Gores stayed true to their goal of creating a company that would be a multiplier of human imagination.

Bill Gore's embryonic management philosophy was deeply influenced by Douglas McGregor's bestseller, *The Human Side of Enterprise*, which was published in 1960. McGregor, as you'll recall, boldly challenged the management dogma that prevailed at the time. Conventional wisdom, which McGregor termed "Theory X," viewed employees as lazy disin-

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terested in their work, and motivated only by money. "Theory Y," by contrast, assumed that human beings were self-motivating problem solvers who found meaning in their work.

Gore knew that executives would often slop a little Theory Y varnish onto their Theory X management practices, but he didn't know of any company that had been built from the ground up on Theory Y principles. Yet this was precisely the challenge that he was itching to take on. Still, there were a lot of questions to answer: Could you build a company with no hierarchy - where everyone was free to talk with everyone else? How about a company where there were no bosses, no supervisors, and no vice presidents? Could you let people choose what they wanted to work on, rather than assigning them tasks? Could you create a company with no "core" business, where people would put as much energy into finding the next big thing as they did into milking the last big thing? And could you do all of this while still delivering consistent growth and profitability?

In each case, the answer turned out to be "yes" - but only because Gore and his colleagues were willing to defy a host of sacrosanct management principles. To see the results of their contrarian thinking, you'll need to visit W.L. Gore's head office, or step into one of its plants. When you do, here's what you'll find.

### **A Lattice, Not a Hierarchy**

At first glance, Gore seems to bear some of the same structural trappings of other big organizations. There's a CEO, Terri Kelly, who

earned a degree in mechanical engineering at the University of Delaware and has spent her entire 23-year career at Gore. There are four major divisions, a broad array of product-focused business units, and the usual gamut of companywide support functions. Each of these organizations has a recognized leader at the helm.

Dig a little deeper, though, and you'll quickly discover that Gore is as flat as the proverbial pancake. There are no management layers and there is no organizational chart. Few people have titles and no one has a boss. If you ask people who work there for their card, it will just say their name and underneath it the word "Associate", regardless of how much money they make or how much responsibility they have or how long they've been at the company. The core operating units at Gore are small, self-managing teams, all of which share two common goals: "to make money and have fun."

Bill Gore conceived of the company as a "lattice" rather than a ladderlike hierarchy. In theory, a lattice-based architecture connects every individual in the organization to everyone else. Lines of communication are direct - person to person and team to team. In a hierarchy, responsibilities are more up and down than they are lateral. A lattice, on the other hand, implies multiple nodes on the same level; a dense network of interpersonal connections where information can flow in all directions, unfiltered by an intermediary. In a lattice, you serve your peers, rather than a boss, and you don't have to work "through

**In a high-trust, low-fear organization, employees don't need a lot of oversight.**

channels" to collaborate with your colleagues.

No doubt recalling his own experience at DuPont, Gore once observed, "Most of us delight in going around the formal procedures and doing things the straightforward and easy way," which in his view begged the obvious question: Why have a formal, authoritarian structure in the first place? Gore believed that in every organization there was an informal matrix of relationships underlying what he called, "the façade of authoritarian hierarchy." His goal: get rid of the façade.

Headquarters for the company is a low-slung, unpretentious red brick building. The "executive" offices are small plainly furnished rooms, along a narrow corridor. The corners of Gore buildings tend to be conference rooms or free space, so that no one can be said to have a more prestigious office.

Gore understood the potential pitfalls in abandoning a hierarchical organization. Could a lattice respond nimbly to a fast-moving market? Where would discipline and direction come from, if not from a cascade of goals passed down through a chain of command? Would a bunch of free spirits taking direction from no one descend into operational anarchy? Gore recognized that the "simplicity and order of an authoritarian organization" made hierarchy "an almost irresistible temptation." But an organization that by design stifled creativity and individual freedom repelled him. For all of its potential shortcomings, he felt a lattice was preferable to the alternative.

### **No Bosses, Plenty of Leaders**

Walk around the halls at Gore, or sit in on meetings, and you won't hear anyone use words like "boss," "executive," "manager," or "vice president." These terms are so contrary to Gore's egalitarian ideals that they are effectively banned from conversation.

Although there are no ranks or titles at Gore, some associates have earned the simple appellation "leader." At Gore, senior leaders do

not appoint junior leaders. Rather, associates become leaders when their peers judge them to be such. A leader garners influence by demonstrating a capacity to get things done and excelling as a team builder. At Gore, those who make a disproportionate contribution to team success, and do it more than once, attract followers. “We vote with our feet,” says Rich Buckingham, a manufacturing leader in Gore’s technical fabrics group. “If you call a meeting, and people show up, you’re a leader. “Individuals who’ve been repeatedly asked to serve as tribal chiefs are free to put the word “leader” on their business card. About 10 percent of Gore’s associates carry such a designation.

The way Terri Kelly earned her CEO stripes is typical of Gore’s approach. When Chuck Carroll, Gore’s previous CEO, retired, the board of directors supplemented its discussions by polling a wide cross-section of Gore associates. They were asked to pick someone they’d be willing to follow. “We weren’t given a list of names—we were free to choose anyone in the company,” Kelly recalls. “To my surprise, it was me.”

Through its embrace of what it terms “natural leadership,” Gore has created a system in which executive power can never be taken for granted. Since a team is free to fire its chief, peer-chosen leaders must continually re-earn the allegiance of their colleagues to retain their authority. This ensures that a leader’s primary accountability is always to the led. It also means that leaders can’t abuse their positional power, since they have none.

### **Sponsors Instead of Bosses**

At Gore, newcomers are confronted with some perplexing questions: Who do I work for? Who can make a decision? What’s the next rung on the career ladder? In most companies, the answers to these questions are straightforward. Not so at Gore.

New recruits are hired into broad roles - as HR generalists, business development leaders,

## Recruiting people to a new initiative is a process of giving away ownership of the idea to people who want to contribute.

or R&D engineers - rather than into narrowly defined jobs. To help newcomers navigate the organization and find their niche, each is assigned a starting “sponsor” - a veteran who decodes the jargon, makes introductions, and guides the tyro through the lattice. In their first few months, new hires are likely to circulate among several teams. At each stop they are, in effect, auditioning for a part. It’s the sponsor’s job to help a new associate find a good fit between his or her skills and the needs of a particular team. In true Gore fashion, an associate is free to seek out a new sponsor if he or she so desires. Likewise, teams are free to adopt a new associate or not, as they choose.

Associates are responsible to their teams, rather than to a boss. The absence of formally chartered supervisors may seem like a demented omission, but it reflects one of Gore’s core principles: in a high-trust, low-fear organization, employees don’t need a lot of oversight - they need to be mentored and supported, rather than bossed around.

### **Free to Experiment**

The primary fuel for Gore’s innovation machine is the discretionary time of its associates. All employees are granted a half day a week of “dabble time,” which they can devote to an initiative of their own choosing - so long as they are fulfilling their primary commitments.

Every associate knows that most of Gore’s product breakthroughs started as dabble-time

projects. After all, the seminal moment in the company's history came in 1969, when Bill Gore's son, Robert ("Bob") W. Gore (the company's current chairman), stumbled upon a way of stretching PTFE. The resulting polymer-expanded PTFE-proved to be simultaneously durable and porous. Trademarked as Gore-Tex, PTFE became the springboard for hundreds of products, including the family of fabrics that make up the company's biggest business. It's hardly surprising, then, that Gore's recipe for product innovation starts with a deeply held belief that serendipity can strike at any time, and that anyone can be an innovator.

As a case in point, consider Gore's guitar-string business, which got its start when Dave Myers, an engineer based in Flagstaff, Arizona, coated his mountain-bike cables with the same polymer that comprises Gore-Tex fabric. Pleased with the result, Myers suspected that the cables' grit-repelling coating might be ideal for guitar strings, which lose some of their tonal qualities when skin oils build up in their steel coils. Although Myers was principally engaged in developing cardiac implants, he decided to spend his dabble time pursuing the guitar-string project, despite the fact that Gore had no presence in the music industry.

Based in a grouping of ten plants, Myers quickly tracked down R&D help and soon had a small team of volunteers working on his bootstrap project. After three years of on-and-off experimentation - and without ever seeking a formal endorsement for his initiative - Myers's team finally hit the bull's-eye with a string that held its tone three times longer than the industry standard. Today, Elixir acoustic guitar strings outsell their closest U.S. competitor by a two-to-one margin. It's hard to imagine the medical products division of any other company spawning a line of best-selling guitar strings, yet this is par for the course at Gore.

At its core, Gore is a marketplace for ideas,

where product champions like Myers compete for the discretionary time of the company's most talented individuals, and where associates eager to work on something new vie for the chance to join a promising project. Recruiting people to a new initiative is, says CEO Kelly, a "process of giving away ownership of the idea to people who want to contribute. The project won't go anywhere if you don't let people run with it." In this sense, Gore is a "gift economy." Would-be entrepreneurs give the gift of a new opportunity and in return, peers donate their talent, experience, and commitment. As one engineer put it: "If you can't find enough people to work on your project, maybe it's not a good idea." The result is that ideas at Gore compete on a level playing field. Since there are no EVPs or business heads, no one's pet project gets a free pass, but neither can any one person abort an embryonic project.

### **Commitments, Not Assignments**

During his years at DuPont, Bill Gore developed a keen appreciation for the difference between commitment and compliance. As he often put it, "Authoritarians cannot impose commitments, only commands." Gore believed deeply that willing commitment is many times more valuable to an organization than resigned compliance. This belief lies at the heart of another Gore tenet: "All commitments are self-commitments." In practice, this means that associates negotiate job assignments and responsibilities with their peers. At

Gore, tasks can't be assigned, they can only be accepted; but since associates are measured and rewarded on the basis of their contribution to team success, they have an incentive to commit to more rather than less. While associates are free to say "no" to any request, a commitment once made is regarded as a near-sacred oath. New associates are regularly admonished not to overextend themselves, since a bungled commitment will impact their compensation. While the process of negotiat-

## The Rule of 150

There is a concept in cognitive psychology called the channel capacity, which refers to the amount of space in our brain for certain kinds of information. The reason telephone numbers have seven digits is that at eight or nine digits, the local telephone number would exceed the human channel capacity. This says something about an intellectual capacity - our ability to process raw information.

Perhaps the most interesting natural limit, however, is what might be called our social channel capacity. The case for a social capacity has been made, most persuasively, by the British anthropologist Robin Dunbar. Dunbar begins with a simple observation. Primates - have the biggest brains of all mammals. More important, a specific part of the brain of humans and other primates - the region known as the neocortex, which deals with complex thought and reasoning - is huge by mammal standards. For years, scientists have argued about why this is the case. One theory is that our brains evolved because our primate ancestors began to engage in more sophisticated food gathering.; you travel much farther to gather fruit than merely leaves, ergo you need to create mental maps. The problem with that theory is that if you try to match up brain size and eating patterns among primates, it doesn't work. So what does correlate with brain size? The answer, Dunbar argues, is group size.

Dunbar's argument is that brains evolve, they get bigger, in order to handle the complexities of larger social groups. If you belong to a group of 5 people, Dunbar points out, you have to keep track of ten separate relationships: your relationship with the four others in your circle and the six other two-way relationships between the others. That's what it means to know everyone in the circle. You have to understand the personal dynamics of the group, juggle different personalities, keep people happy, manage the demands on your own time and attention, and so on.

Humans socialise in the largest groups of all primates because we are the only animals with brains large enough to handle the complexities of that social arrangement. Dunbar has actually developed an equation, which works for most primates, in which he plugs in what he calls the neocortex ratio of a particular species - the size of the neocortex relative to the size of the brain - and the equation spits out the expected group size of the animal. For humans it's roughly 150. "The figure of 150 seems to represent the maximum number of individuals with whom we can have a genuinely social relationship, the kind of relationship that goes with knowing who they are and how they relate to us."

Dunbar has combed through the anthropological literature and found that the number 150 pops up again and again. For exam-

ple, he looks at 21 different hunter-gatherer societies for which we have solid historical evidence, from the Walbiri of Australia to the Tauade of New Guinea to the Ammassalik of Greenland to the Ona of Tierra del Fuego and found that the average number of people in their villages was 148.4. The same pattern holds true for military organisation. "Over the years military planners have arrived at a rule of thumb which dictates that functional fighting units cannot be substantially larger than 200 men," Dunbar writes. "It is as though the planners have discovered, by trial and error over the centuries, that it is hard to get more than this number of men sufficiently familiar with each other so that they can work together as a functional unit". It is still possible, of course, to run an army with larger groups. But at bigger size you have to impose complicated hierarchies and rules and regulations and formal measures to try to command loyalty and cohesion. But below 150, Dunbar argues, it is possible to achieve these same goals informally: "At this size, orders can be implemented and unruly behaviour controlled on the basis of personal loyalties and direct man-to-man contacts."

The Hutterites are a religious group who, for hundreds of years have lived in self-sufficient agricultural colonies in Europe and, since the early twentieth century, in North America. The Hutterites have a strict policy that every time a colony approaches 150, they split it into two and start a new one. "Keeping things under 150 just seems to be the best and most efficient way to manage a group of people," according to Bill Gross, one of the leaders of a Hutterite colony outside of Spokane, USA. "When things get larger than that, people become strangers to one another." The Hutterites, obviously, didn't get this idea from contemporary evolutionary psychology. They've been following the 150 rule for centuries. At 150, the Hutterites believe, something happens - something indefinable but very real - that somehow changes the nature of community overnight. "In smaller groups people are a lot closer. They're knit together, which is very important if you want to be effective and successful at community life," Gross says. "If you get too large, you don't have enough work in common. You don't have enough things in common, and then you start to become strangers and that close-knit fellowship starts to get lost." Gross speaks from experience. He has been in Hutterite colonies that had come near to that magic number and seen first hand how things changed. "What happens when you get that big is that the group starts, just on its own, to form a sort of clan." Me makes a gesture with his hands, as if to demonstrate division.

From *The Tipping Point*, by Malcom Gladwell, 2000.



ing commitments can be time-consuming, the payoff in terms of morale is substantial. At Gore, virtually every associate can truthfully say, “I’m doing exactly what I signed up to do.”

Seasoned executives who join Gore from other companies are initially bewildered by the ethos of voluntary commitment. Those who survive must adapt to life in the lattice. As Steve Young, a consumer marketing expert hired from Vlasic Foods, quickly discovered, “If you tell anybody what to do here, they’ll never work for you again.”

### **Energizing and Demanding**

Within Gore, the pressure to contribute can be both exhilarating and exhausting. Within a few months of signing up with their first team, newcomers at Gore will be encouraged to add a second or third project to their portfolio. Since people are assumed to be multifaceted, with a wide range of interests, no one is expected to devote 100 percent of his or her time to a single task.

Despite the unprecedented freedom granted to associates, Gore isn’t a company for slackers. Once a year, every associate receives a comprehensive peer review. Typically, data is collected from at least 20 colleagues. This information is shared with a compensation committee comprising individuals from the employee’s work area. Each associate is then ranked against every other member of the business unit in terms of overall contribution. This rank ordering determines relative compensation. While the list isn’t published, people are told in which quartile they rank. Seniority yields no dividends in Gore’s compensation system. For example, an experienced business leader might be paid less than a PhD scientist. The formula is unblinking: the more you contribute, the more highly regarded and rewarded you will be. Consequently, most associates feel pressured to take on more rather than less. Critically, though, this pressure doesn’t come from a whip-cracking boss, but from one’s own teammates.

While Gore’s compensation system clearly differentiates between those who add more value and those who add less, the company also works hard to create a deep sense of shared destiny. Every associate is a shareholder. After their first year at Gore, new associates are awarded 12 percent of their salary in the form of stock. The shares vest over time, and employees can cash out when they leave the company. For most associates, this allotment of Gore stock is their single biggest financial asset, and the ticket to a comfortable retirement. Gore also features an annual profit-sharing program that enables employees to share in the short-term success of the enterprise. Not surprisingly, most associates feel they have a big stake in helping the company to grow.

Gore is, in short, a very unusual company with a clear and well-articulated philosophy. It is a big established company attempting to behave like a small entrepreneurial start-up. Gore has managed to create a small-company ethos that is so infectious and sticky that it has survived their growth into a billion-dollar company with thousands of employees, with an employee turnover rate that is a third of the industry average. And how did they do that? By (among other things) adhering to the Rule of 150.

### **Big Yet Personal**

Willbert “Bill” Gore, was no more influenced by the ideas of Robin Dunbar than the Hutterites were. Like them, he seems to have stumbled onto the principle by trial and error. “We found again and again that things get clumsy at a hundred and fifty,” he told an interviewer some years ago, so 150 employees per plant became the company goal.

In a small company, most meetings take place face-to-face, and Gore has worked hard to maximize opportunities for personal interaction. R&D specialists, salespeople, engineers, chemists, and machinists typically work in the same building. The proximity of different disciplines helps cut time to market and keeps

everyone focused on the goal of satisfying customers. Associates are encouraged to talk to their colleagues face-to-face, rather than relying on e-mail.

In the electronics division of the company, that means no plant is built larger than 50,000 square feet, since there was almost no way to put more than 150 people in a building that size. “People used to ask me, how do you do your long-term planning, Bob Hen, a Gore Associate says. “And I’d say, that’s easy, we put a hundred and fifty parking spaces in the lot, and when people start parking on the grass, we know it’s time to build a new plant.”

That new plant doesn’t have to be far away. The buildings only have to be distinct enough to allow for an individual culture in each. “We’ve found that a parking lot is a big gap between buildings,” one long-time associate Burt Chase says. “You’ve got to pick yourself up and walk across the lot, and that’s a big effort. That’s almost as much as effort as it takes to get in your car and drive five miles. There’s a lot of independence in just having a separate building.”

To better mobilize people and ideas, the company organizes its plants into clusters, like the 10 factories located in Flagstaff, or the 15 that sit near the Delaware-Maryland border. The fact that most of Gore’s plants are located near sister sites is a boon to associates scouting for a new team to join, and to new product champions looking for expert advice and volunteers. While it might be cheaper to locate new facilities in lowercost locations, Gore believes the benefits of dense, cross-functional, and cross-team communication more than outweigh the economic penalty of its cluster model.

With few exceptions, no facility or manufacturing site is allowed to grow to more than 200 people. Bill Gore believed that as the number of people in a business increased, associates inevitably felt less connected with one another and with the ultimate product. Moreover, the bigger the unit, the smaller the stake people would have in key decisions, and hence the less motivated they would be to carry them

The Principles of Management 2.0		
<b>Sustaining Meaning</b> People have an intrinsic desire for their labour to have meaning and find purpose in their work. Organisational purpose is more than profit, it is the ability for individuals to contribute meaningfully to outcomes.	<b>Embracing Activism</b> Performance benefits from diversity and dissent when people stand up for what they believe, disagree on matters openly, give and receive constructive criticism, and negotiate best outcomes.	<b>Supporting Serendipity</b> Unplanned interactions, chance, leads to beneficial outcomes.
<b>Acting on Trust</b> People act on good faith and have an intrinsic motivation to contribute and express themselves.	<b>Nurturing Meritocracy</b> People & ideas succeed based on the intrinsic quality. All members of the community are equal and have an equal right to lead and follow.	<b>Rewarding Experimentation</b> New ideas are valuable and can be tested quickly, cheaply, improved iteratively and pursued without negative consequences to career.
<b>Celebrating Openness</b> All information, communication, and decision making within an organisation is transparent and accessible to anyone.	<b>Ceding Autonomy</b> People and teams are empowered to make decisions related to achieving goals and committing their talents to organisational outcomes using their own judgement on where such talents and resources best add value. Direction and decision making can come from anywhere.	<b>Celebrating Learning</b> Information and decision making must be real-time and draw on everyone’s experience and expertise in open discussion. Learning speed is important. Making mistakes, even failure, is a vital part of learning.
<b>Fosters a Community</b> of people with a shared purpose who organise and engage with each other.	<b>Empowers Collaboration</b> between individuals and teams to achieve negotiated and accepted goals.	<b>Sparks Innovation</b> when employees share and follow their passion and self-interest, unplanned opportunities arise.

our. To borrow Gore’s simple phrasing, once a unit reaches a particular size, “we decided’ becomes ‘they decided.’” Gore realized that while bigger units can bring greater efficiency, they also bring more bureaucracy, since that’s the only way to keep poorly motivated, disconnected employees on track.

As Gore has grown, the company has undergone an almost constant process of division and redivision. For example, the Gore-Tex apparel unit divided into two groups, in order to get under the 150 limit. The more fashion-oriented consumer business of boots and backpacks and hiking gear, split to go off on it’s own, leaving behind the more institutional business that makes Gore-Tex uniforms for firefighters and soldiers.

Gore doesn't need formal management structures in its small plants — it doesn't need the usual layers of middle and upper management — because in groups that small, informal personal relationships are more effective. “The pressure that comes to bear if we are not efficient at a plant, if we are not creating good earnings for the company, the peer pressure is unbelievable,” says Jim Buckley, a long-time associate of the firm. “This is what you get when you have small teams, where everybody knows everybody. Peer pressure is much more powerful than a concept of a boss. Many, many times more powerful. People want to live up to what is expected of them.” In a larger, conventional-sized manufacturing plant, Buckley said, you might get the same kind of pressures. But they would work only within certain parts of the plant. The advantage of a Gore plant is that every part of the process for designing and making and marketing a given product is subject to the same group scrutiny. “The pressure I'm talking about is the kind you get when salespeople are in the same world as the manufacturing people, and the salesperson who wants to get a customer order taken care of can go directly and talk to someone they know on the manufacturing team and say, I need that order. Here's two people, one is trying make the product, one is trying to ghet the product out. They go head to head and talk about it. That's peer pressure. You don't see that at big conventional manufacturing plants. There, at best the manufacturing people know some of the design people, but none of the sales or sales support people. I was at Lucent the other day, they don't know each other. You go into the cafeteria and there are little groups of people. The manufacturing people eat with manufacturing people. The sales people eat with sales people.”

### **Focused, but No Core Business**

Though Gore is organized into four divisions—fabrics, electronics, medical, and industrial—leaders at Gore don't spend much time trying to define the boundaries of the com-

pany's “core business.” With more than 1,000 products in its portfolio, Gore is a classic example of a company that has leveraged a small number of world-bearing competencies into a dizzying array of product markets. While leaders encourage innovation that extends Gore's presence in existing markets, such as surgical supplies, anything that exploits Gore's expertise in PTFE and other polymers is considered in scope. This provides associates with a remarkably broad canvas for innovation.

Given the freedom that associates have to pursue their own interests and their ability to recruit talent from across the company, Gore is able to maintain a healthy balance between investments that extend today's businesses and those that open gateways to new markets.

### **Tenacious, and Risk Averse**

Tenacity is another ingredient in Gore's recipe for relentless innovation. This is coupled with a deeply embedded management process for identifying and minimizing unnecessary investment risks. Gore is patient — a promising project can bubble along for as long as it continues to hold the interest of a few associates. In many companies, “patience” is equated with a willingness to endure losses over a long time frame, rather than with the sort of tenacity that keeps folks chipping away at big, important problems. At Gore, though, determination and perseverance don't come at the expense of prudence. The company never bets big until all of a project's key uncertainties have been resolved.

Every new product champion knows the drill: clearly identify critical hypotheses and develop low-cost ways of testing important assumptions. Once a project moves beyond the dabble stage, there is a cross-functional review process that periodically puts the development team through an exercise called “Real, Win, Worth.” To attract resources, a product champion must first demonstrate that the opportunity is real. Colleagues will ask, “Does this product solve a bona fide cus-

customer problem? How many customers have this need and how much will they pay for a better solution?" As development proceeds, the question becomes whether or not Gore can win in the marketplace. Questions at this stage include: "Do we have a defensible technology advantage?" "Do we have skill gaps that will require us to find partners?" "Are there any regulatory hurdles that must be overcome?" Once these questions have been addressed, the focus turns to profitability: "Can we price the product high enough to get a good margin?" "Can we build a business system that makes money?" "How quickly will we hit our breakeven point?" There is no predetermined timetable that drives a product from concept to reality, no calendar-driven stage gates. While the early conversation around customer value helps to weed out truly loopy ideas, intriguing product concepts are given plenty of time to make the journey from "Real" to "Worth" - as long as they're not burning through too much cash. Along the way, everyone pays close attention to "waterline" scenarios - missteps that could seriously harm the company's financial position or reputation. Gore wins big not by betting big, but by betting often - and by staying at the table long enough to collect its winnings.

Eccentric as they are, all of the various elements of Gore's unique management system serve one overriding objective: continuous, rule-breaking innovation. While Gore's leaders understand that it's tough to plan for innovation, they have no doubt that it's possible to organize for innovation. Not surprisingly, most associates love working at Gore and has been included in every one of Fortune's annual rankings of the "100 Best Companies to Work For." Just as importantly, Gore has delivered nearly 50 years of steady earnings growth without a single annual loss. It seems unlikely that Bill Gore, who died in 1986, would be surprised by his company's continuing success. He always believed that the conventional way of managing a big company wasn't the only way, and that when it comes to

management innovation, radical doesn't have to mean screwball.

"One of the immediate reactions we get when we talk to people is 'Man, your system sounds chaotic. How in the devil can you do anything with no obvious authority?' But it's not chaos. It isn't a problem," says Burt Chase. "It's hard to appreciate that unless you are working in it. It's the advantage of understanding people's strengths. It's knowing - where can I get the best advice? And if you have some knowledge about people, you can do that."

### Essential Lessons

So what can prospective management innovators learn from Gore's success?

*One: Management innovation often redistributes power. (So don't expect everyone to be enthusiastic.)*

Over the decades, thousands of executives have visited Gore hoping to learn from its inspiring example. So it's worth asking: Why does Gore's management model seem as weird and unprecedented today as it did nearly five decades ago? Maybe it's because Gore continues to take innovation more seriously than just about any other company in the world. Maybe it's because Gore is a privately held company and can get away with exotic management practices that wouldn't fly with public shareholders. Or maybe it's because Bill Gore had a clean sheet of paper and never had to battle the barons of bureaucracy. All of these are plausible explanations, yet none provides an entirely adequate answer to our question: Why, after 50 years, is Gore's management model still more studied than emulated?

I believe it's because Gore's eccentric management system is deeply disturbing to executives who've grown comfortable with the power and perquisites of life in more hierarchical companies. While executives often talk glibly of "inverting the pyramid," they are undoubtedly unnerved when they discover it

can actually be done! How, a power-wielding executive is bound to ask, could I ever succeed in an organization like this?

Leaders who have learned to rely on their titles to get things done are likely to view Gore's model with as much trepidation as envy. A traditionally minded manager is understandably disconcerted when confronted by the reality of an organization where power is disconnected from position—where you can't push decisions through just because you're perched higher up the ladder; where you don't have "direct reports" to command; where your power erodes rapidly if no one wants to follow you; and where your credentials and intellectual superiority aren't acknowledged with the laurel wreath of a grand title.

For most executives, the synchronization of power with a precisely calibrated scale of management titles and grades is one of the defining, and comforting, realities of managerial life. It should hardly be surprising then, that radical management innovation often fractures this central pillar of organizational design. Whether it's the power granted to first-level employees at Toyota, the discretion given to team members at Whole Foods, or the lack of status differentiators at Gore, management innovation almost always delegates power downward and outward. Most managers support the idea of empowerment, but become noticeably less enthusiastic when confronted with the necessary corollary - to enfranchise employees you must disenfranchise managers. The redistribution of power is one of the primary means for making organizations more adaptable, more innovative, and more highly engaging.

*Two: In the short run, the costs of management innovation may be more visible than the benefits.*

Even when management innovation doesn't entail a wholesale reallocation of power, it can be a hard sell when the costs seem more tangible than the benefits. For example, any half-decent accountant could easily calculate

the economies Gore would reap if it sited a new plant in one of the world's ultra-cheap offshore manufacturing centers rather than near a cluster of existing plants. But how would one calculate the lost opportunity for cross-business learning? How would you price the reduction in the opportunities for employees to enhance their skills through lateral career moves? Likewise, anyone with a sharp pencil could tell Gore what it would save by consolidating its small-scale facilities. But how would one compare the savings of bigger, more integrated factories, with the loss of intimacy and esprit de corps?

Sally Gore is Bob Gore's wife, and a former HR leader at Gore. She recognizes the difficulty of putting a price tag on some of the hard-to-quantify benefits of the company's management system: "I often compare our organizational structure to a democracy to explain the trade-offs. A democratic government might not be the most time or cost-effective way to run a country. In the end, however, the quality of life is far better than what you'll find in a dictatorship."

The fact that an accountant's yardstick can't easily measure the value of adjacency, autonomy, and amity doesn't mean these things are valueless. Intangible doesn't mean inconsequential. Even Terri Kelly can't tell you just how much Gore's egalitarian management principles are worth, nor how much would be lost if any one of them was abandoned. Yet internal surveys reveal that Gore's associates regard the company's seemingly perverse management practices as a major source of competitive advantage.

As we move toward a world in which economic value is increasingly the product of inspiration, mission, and the joy that people find in their work, the sorts of management innovation that will be most essential are precisely those whose benefits will be most difficult to measure - an important fact for every management innovator, and every CEO, to keep in mind.

*Three: Don't be timid.*

Like Frederick Winslow Taylor, Bill Gore wasn't intimidated by a big challenge. Nor was he afraid to upset the applecart of management orthodoxy. His rebellious pronouncements - "No [person] can commit another," is one rabble-rousing example - weren't empty slogans but resolute statements of intent. While others were happy to make margin notes in the annals of conventional wisdom, Bill Gore rewrote entire chapters. Take Gore's approach to bureaucracy, for example.

Every executive is in favor of reducing bureaucratic waste, unless, of course, he or she is one of the bureaucrats getting pruned. In truth, though, most executives don't want to vanquish bureaucracy, they just want to kick it in the shins: take out a couple of organizational layers, trim corporate staff groups, simplify decision making, and eliminate some paperwork. As commendable as these things are, there's a big difference between reducing overheads and actually giving people control over their work lives, as Gore has done. The distinction is akin to the difference between shrinking a tumor and cutting it out.

Bill Gore was a 40-something chemical engineer when he laid the foundations for his innovation democracy. I don't know about you, but a middle-aged polytetrafluoroethylene-loving chemist isn't my mental image of a wild-eyed management innovator. Yet think about how radical Gore's vision must have seemed back in 1958. Fifty years later postmodern management hipsters throw around terms like complex adaptive systems and self-organizing teams. Well, they're only a half century behind the curve. So ask yourself, am I dreaming big enough yet? Would my management innovation agenda make Bill Gore proud?

### **Sources:**

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