

Pyramids Are Tombs: Agency Exec, Author Joe Phelps Flattens Corporate Culture

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This week's profile: Joe Phelps, CEO, [The Phelps Group](#)

There's a better way to organize your business than the traditional, hierarchical approach, believes marketing and communications veteran Joe Phelps—who advocates empowered, self-directed teams over command-and-control management models.

Phelps practices what he preaches. For starters, his eponymous Santa Monica agency has been featured in business publications from *Inc.*

to the trades—due in no small part to its unorthodox organizational structure and creative work environment, which attracts top talent and clients alike. What's more, Phelps' revolutionary business model is used as a case study at several universities, including Northwestern, Colorado, Pepperdine and USC.

The good news: Phelps isn't afraid to share the secret of The Phelps Group's success. In fact, his management book [Pyramids Are Tombs](#) commits 300+ pages to outlining exactly how others can apply the same groundbreaking principles to grow their businesses and enjoy greater productivity, retention and returns. This interview is a primer for anybody seeking new ways of working... and fair warning to the rest:

What is the #1 thing wrong with the agency world today and how agencies are being managed?

There's not enough trust from top management in the people who actually do the work. Companies are using top-down, command-and-control structures—which hinders the processes, which hinders the performances. People respond positively to trust. It's a form of love. The more you trust them, the more they trust you, and it becomes an upward spiral.

How does that apply to the concept that "pyramids are tombs"?

The siloed, pyramid-type structures are a death-knoll to people's productivity. The typical organization's design has so much inherent conflict of interest that people waste precious time talking internal politics, fighting budget turf wars and such.

What's wrong with top-down management—why the impetus for change (and why now)?<

That's a great question. I wrote a 300-page book about that! Now, let's see if I can give you a reasonably short answer.

Companies and their customers want things faster, better and for less than they paid before. And if you don't give it to them, someone else will. Technology is helping to shorten the cycles. And the whole thing is like a cyclotron that continues to accelerate and create pressure on the current systems. Where does it stop? Who knows? But here's an analogy: A racecar driver is used to being in races that average 120 miles an hour. One day he shows up at the track and finds that the average speed is 200 mph. He's not going to make incremental changes to his car and be able to compete. He needs a different car. It's the same challenge businesses are facing today.

Incremental change won't cut it. These hierarchical structures worked fine for factories and the military for a long time. But so much has changed. People's work is knowledge based now. So if you believe you're being paid to think, then your organization should reflect that. Also, we no longer have the time to go up and down through the layers for approvals.

Plus, it's also a seller's market. There's more demand for talent than there is supply. If people don't get the respect and

freedom that they need from their employer—they can leave and work somewhere else. Monster.com and Craig's List make it a transparent market.

Each generation gets smarter. And that, too, is accelerating at an increasing rate. The difference in the lifestyles of the last two generations is staggering. Dads are more like moms. Moms are more like dads. People are solving their companies' problems while they're in the shower and while they're driving. Companies can't have that—and then tell someone exactly when to be at work and how long to stay, for example.

There needs to be more trust. And this trust can manifest itself in a decentralized organization where people are given more flexibility and accountability to live and die by their own decisions—and those decisions of the smaller, cross-functional teams they're playing on.

What are some ways to flatten the organization—what steps must readers take to reverse top-down management?

Here are some changes that will create an organizational model for delivering faster, better, cheaper and integrated services—while giving people the type of life they want to live:

First of all, you have to dismantle the task-based departments. In marketing communications companies, that would mean eliminating the account management department, the media department, the research department, the media relations department and so on.

Then you re-organize these specialists in teams around the client—based on the clients' needs.

Now that we have no departments, we don't need department directors or managers. So this moves the accountability for the client work from department heads to these client-based teams.

The specialists still need education, inspiration and guidance. So move the department heads to coaching positions. In professional services—whether it is a law firm, architectural, accounting, or whatever, the professional has to continue practicing the profession. Otherwise, their peers lose respect for them and think of them as "management" and not fellow professionals. So these coaches need to be "playing" coaches, meaning they play on one or more teams and coach the specialists in their discipline on other teams.

Then you hold coaches responsible for the recruitment, inspiration and education of the specialists in their disciplines. Coaches recruit, consult, guide, inspire and encourage these specialists, but do not take on the final responsibility for the specialists' work. This accountability must remain with the individuals and within the client-based teams. Otherwise, you'd be back to those damned departments again.

Then, the question becomes, "How do you keep it from being just a bunch of small, independent teams operating under one roof? And how do you draw on the brainpower of the larger organization?"

Our answer at The Phelps Group has been that we've invented various mechanisms to give individuals and teams liberal amounts of constructive feedback on their work and interpersonal performance. People want to give and receive feedback. But the deadline pressures of their own work, often get in the way of their asking or giving. So we interrupt our associates' days with things like the BrainBangers' Ball, the Eyeball, the Playground, the eBanger and even the WallBanger. They're fun. They usually involve food. They're educational. They prevent myopia, confirm good work, expose poor work—and what's almost unbelievable is that the entire company (there are about 65 of us) sees virtually every significant project coming through the agency and has multiple opportunities to offer feedback or collaborate with the team that's responsible for the work.

In the normal, departmentalized world, you might have task-based departments competing for the client's budgets. Think of how the multi-national agencies have purchased interactive companies, PR firms, advertising agencies and so forth. And now think of how they compete for the clients' budgets because their own salaries depend on how much revenue they can pull through their departments. By eliminating those silos and organizing around the clients' needs, you've eliminated conflicts of interest and aligned a team of specialists to work for the benefit of the client.

This is the "Mother Lode" of what we're talking about.

One more thing that's important: Buckminster Fuller said something like, "First we create our environment, then it creates us." So the physical set up means a lot. You can't claim to have a flat organization and then stratify people by the size and location of their workspaces. You have to walk the talk. At The Phelps Group, we all change workstations every year. I've been in nine different locations. There are all sorts of advantages to this, and the main one is that it promotes an understanding that physical location and size of workstation do not relate to seniority or power.

What exactly does a self directed team look like in a PR agency?

A team made up with someone from every discipline in the house moves through a situation analysis, comes to conclusions and works with the client to establish objectives. They then develop various strategies for success. Then, based on that strategy, you staff the client-based team with whatever specialists are needed—a researcher, writer, media relations, public affairs specialists, events producer and whoever else is needed to execute the plan.

Creativity or staff—which is an agency's greatest asset?

Let me think about that one. Well, if you mean by "creativity" the ability to get the job done, then I'd say creativity. I suppose an agency could be a few people using freelancers—kind of virtual. But those people really are the staff. They're just more transient.

How can readers boost their team's creativity

There are lots of books written about this subject. Jack Foster has a great one out called *How to Get Ideas*. Jack studied the processes for some of the great creators over the past 1000 years or so. One common thread was that they fed their brains with a challenge and then allowed an incubation period for their sub-conscious to work on it. Then shazam! So that incubation time is important.

However, with the time compression that we're experiencing nowadays, that incubation time is rare. And since you can't force people to have great ideas in a short period of time, the way we do it at The Phelps Group is simply to put more brains on the business. Our BrainBanger's Ball, our Wall and other feedback mechanisms focus the brains of the entire organization on a clients' challenge—while leaving the authority and responsibility with the client-based team.

This can only happen if a company has an environment and culture that has low levels of fear. Otherwise, people are going to be afraid to criticize others' work. They're going to be afraid to offer a whacky idea. They're going to feel the need to be defensive about their own ideas, instead of listening to criticism.

There's a new book out now, *What Happy Companies Know*. Its premise is that happier people are more productive. And to increase productivity of great ideas, you need to keep people working and living from their neo-cortex portion of their brain. An environment of fear keeps them operating from their reptilian and/or mammalian brain—some call it the old brain. And that's not where creativity is spawned. About all you know how to do when operating from those portions of your nervous system is to freeze, fight or flee—not a good place to be operating from when trying to create break-through ideas. By the way, I think the authors of that book mention The Phelps Group and IDEO more than any other companies as examples of how to operate a company so people can be at their best.

Why is job satisfaction so important in the PR business—is there a lot of turnover on the agency side compared to corporate side?

I don't know what the numbers are on the client side—those averages differ by industry. On the agency side, though, I've heard the average is around 2.5 years now. Our agency's average tenure is 6.4 years. And that's with 20% of our people being new to the agency for less than six months because of a web-related growth spurt we've been experiencing.

And I do believe that happier people are more productive. Plus, I'd just rather spend my life around happy people. Life's just too short not to live it in a healthy environment.

How can a manager boost retention and increase job satisfaction? What must we provide?

- First, recognition for a job well done is key. Mark Twain said he could live for two months on a good compliment. It's widely known that recognition is the number one motivator of people.
- Then, as I said, a healthy environment—with clean, well-lit space; the proper equipment; inhabited by people who care and who communicate in an honest fashion.
- Also, people want meaningful work. We're trading our time in life for money—but more important, we want to help achieve something worthwhile. So, reminding your team that everything they do touches other people adds meaning to their lives and work.
- People want responsibility—they need to believe that they are responsible for their own actions, and that they are trusted. Self-directed teams give people clear responsibility.
- People need to be and want to be held accountable. There's a feeling of ownership and of outcomes. It's a sense of the proverbial buck stopping with every single person and not in the lap of someone far down the line. People on self-directed teams willingly hold each other accountable, as well as themselves. Accountability helps people follow through with their commitments.
- The compensation must be equitable, and linked not to longevity or rank, but to performance. Also important is being treated like partners, which includes a fair salary, part of the profits and some equity in the business. There are numerous ways to do this, such as an ESOP.
- Smart people want a chance to learn—they want to grow into more significant positions with greater responsibility. A great way for a company to open this door for them is by support in getting advanced degrees or through classes or

conferences.

- Everyone wants the chance to do great work—not just work that meets minimum standards and expectations, but quality work: A+ work. Ask your team what it takes for them to do their job really well. Then ask if they'll commit to that standard.
- People also need to understand the big picture. They want to know how the work relates to the overall goals of the business. Sharing the company goals and getting input from your team on a frequent basis is a great tool for getting buy-in and creating understanding.
- And of course we want the chance to work with interesting people whose goals are aligned with ours. I'd suggest you encourage your team members to introduce great people to your company. You never know when you'll meet someone who is a great fit.

What is something most people don't know about you?

I was a manager and booking agent for rock bands for about five years. I'd put bands on the road. Sometimes I'd get a bank loan to buy equipment, help them find the right musicians and find the right places for them to play.

And how does that relate to your work now?

Good question. And the answer is one that I didn't think of until a few years ago. I still put small teams together.

I help client-based teams of writers, art directors, media relations, media buyers—with team leaders and team managers—just like the bands. I help them find places to play—meaning clients to work for. The big difference is that instead of taking my 15% right off the top like I did with the musicians, now I have to wait to see if there's anything left on the bottom line after salaries and the lease!

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