ORGANIZATIONAL BEHAVIOR AND HUMAN RESOURCE MANAGEMENT
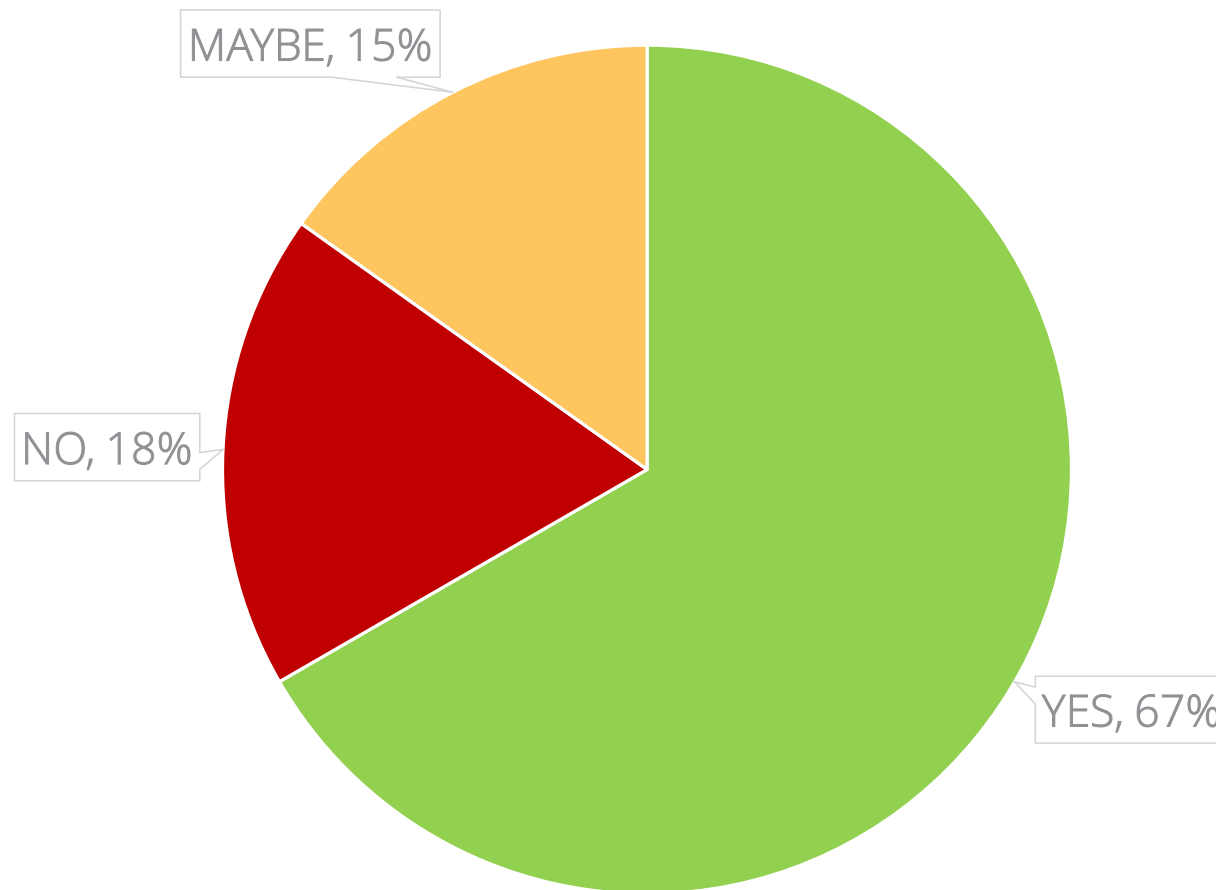
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Lesson 10

THE VALVE CASE STUDY

(and beyond)

WOULD YOU LIKE TO WORK IN SUCH A COMPANY? WHY?

VALVE

MAYBE, 15%

NO, 18%

YES, 67%

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WHAT ARE THE POTENTIAL DOWNSIDES OF VALVE'S APPROACH?

VALVE

- Lack of strategic vision
- Lack of clear leadership and direction
- Delays, slow decision making, lack of coordination
- Possible projects instability / abandonment
- Lack of tangible metrics
- Informal power unbalance
- Disorientation for new employees
- The hiring process understimates the relevance of other aspects besides technical skills
- Missing out on talented people with a «traditional mindset»
- Difficult to find / hire the «right» people
- Decision overload
- Uneven workload distribution
- Who would want to do the routine activities?
- Free riding
- Conflict management

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COULD VALVE'S APPROACH BE UTILIZED IN TRADITIONAL CONTEXTS?

VALVᴱ

• Most answers: not possible, or possible for just very few elements

• Maybe a «hybrid» approach could work

• A common objection: <u>not scalable</u> for large companies

• Most answers: <u>it depends</u> on industry or type of activity

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VALVE

4 general points to reflect on

(and potential «lessons» that may be useful generally, beyond Valve)

the «traditional view» vs the «valve view»

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A RECAP OF A FEW POINTS

V A L V E

- Valve is a gaming company, with 400 employees staffers but no traditional management structure, no reporting lines, no job descriptions, no formal meetings

- they hire talented, innovative "self-starters" who decide autonomously which projects they want to join

- The organization operates under the philosophy of "permissionless innovation", where on small, independent, multidisciplinary teams have complete autonomy on innovative processes (it's a sort of 100% bootleg time)

- new hires also are encouraged to start new projects so long as they fit the company's purpose

- people are not hired to fill a specific job description, but to look around for the most valuable work they could be doing

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1: AUTONOMY vs COORDINATION

- Authority / hierarchy is typically seen, in traditional contexts, as means to achieve coordination

- Coordination is obviously essential for any organization

- However, the need for coordination can be provided through many different means. For example:

  - authority
  - standardization / formalization / technology   more coordination, less autonomy
  - negotiation

  - shared culture and purpose
  - personal responsibility
  - organizational identification

1: AUTONOMY vs COORDINATION

the «traditional» view: autonomy / coordination as a TRADE-OFF
(autonomy OR coordination)

autonomy   coordination

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the «Valve» view: autonomy / coordination as a SYNERGY
(autonomy AND coordination)
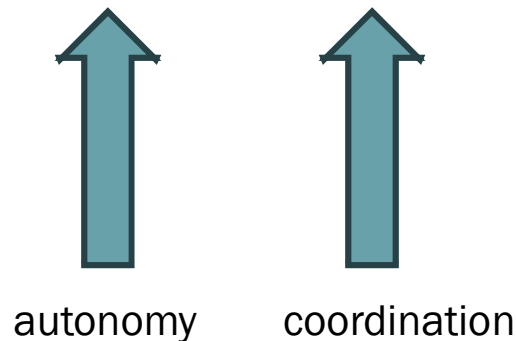
this approach seems to be difficult to achieve, but ... why?
is it always «technically» difficult?
or is it «culturally» (as in managerial culture) difficult?

or maybe ... a bit of both?
but ... do the benefits justify the difficulties?
if so, where? what about the foreseeable future?

autonomy   coordination

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1. AUTONOMY vs COORDINATION

VALVE

■ "STRUCTURE HAPPENS": Project teams often have an **internal structure** that forms **temporarily to suit the group's needs**. Although people at Valve don't have fixed job descriptions or limitations on the scope of their responsibility, they can and often do have clarity around the definition of their "job" on any given day. They, along with their peers, effectively create a job description that fits the group's goals. That job description changes as requirements change, but the temporary structure provides a shared understanding of what to expect from each other. If someone moves to a different group or a team shifts its priorities, **each person can take on a completely different role according to the new requirements**"

   – *structure (coordination):*
   - ■ not ABSENT, but EMERGENT
   - ■ not FIXED, but TEMPORARY
   - ■ not FUNCTION ORIENTED, but PROJECT (goal) ORIENTED
   - ■ not as DIRECTIONS FROM «ABOVE» but as MUTUAL EXPECTATIONS

2. AUTONOMY and LEADERSHIP, in Valve

VALVE

■ LEADERSHIP "happens": "Often, someone will emerge as the "lead" for a project. This person's role is not a traditional managerial one. Most often, they're primarily a clearinghouse of information. They're keeping the whole project in their head at once so that people can use them as a resource to check decisions against. The leads serve the team, while acting as centers for the teams"

2. LEADERSHIP

- traditional view:
  - LEADERSHIP as the stable implementation of coordination (through a TOP-DOWN approach)
    - with specific, formally defined leadership roles that are "engrained" in the structure
    - LEADER as the PERSON THAT MAKES DECISIONS about what others have to do to in order to be effective for the organization

- the "Valve" view
  - LEADERSHIP as the contingent implementation of coordination (through a BOTTOM-UP, emergent approach)
    - by means of shared responsibility based on project-specific competence requirements, project-specific coordination needs and shared mutual expectations
    - with the goal of FACILITATING and CREATING the contingent CONDITIONS for effectiveness, efficiency and creativity
    - LEADER as the PERSON THAT CREATES OPTIMAL CONDITIONS for others to better decide about how to be effective for the organization

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3. EVALUATING and LEARNING, in Valve

VALVE

- **MISTAKES:** Nobody has ever been fired at Valve for making a mistake. It wouldn't make sense for us to operate that way. Providing the freedom to fail is an important trait of the company. However, there are still some bad ways to fail.

- 1) Repeating the same mistake over and over

- 2) Not listening to customers or peers before or after a failure

- 3) Ignoring the evidence; particularly when it says you're wrong

- **PEER EVALUATIONS:** There is a framework for how we give this feedback to each other. A set of people (the set changes each time) interviews everyone in the whole company, asking who each person has worked with since the last round of peer reviews and how the experience of working with each person was. The purpose of the feedback is to provide people with information that will help them grow. The feedback is then gathered, collated, anonymized, and delivered to each reviewee

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3. EVALUATING and LEARNING

- traditional view:
  - a MISTAKE is always negative (of course: it's a «mistake!» what else could it be?)
    - *a mistake is a waste of time and resources, and it should be avoided*
    - *evaluations, incentives, punishments and formal coordination is how mistakes are avoided*
    - *it is a PAST-ORIENTED management of initiative and autonomy*
- the «Valve» view:
  - there are GOOD MISTAKES and BAD MISTAKES
    - *a «GOOD MISTAKE»*
      - the inevitable, even desirable consequence of a true orientation to innovation and problem solving
      - an opportunity for learning and growing (individually and collectively), thanks to a very learning-oriented, future-oriented, peer-driven **FEEDBACK POLICY and CULTURE**
    - *a «BAD MISTAKE»*
      - it's the outcome of undesirable behavior and attitudes: not learning from experience, insufficient effort, ignoring facts and evidence
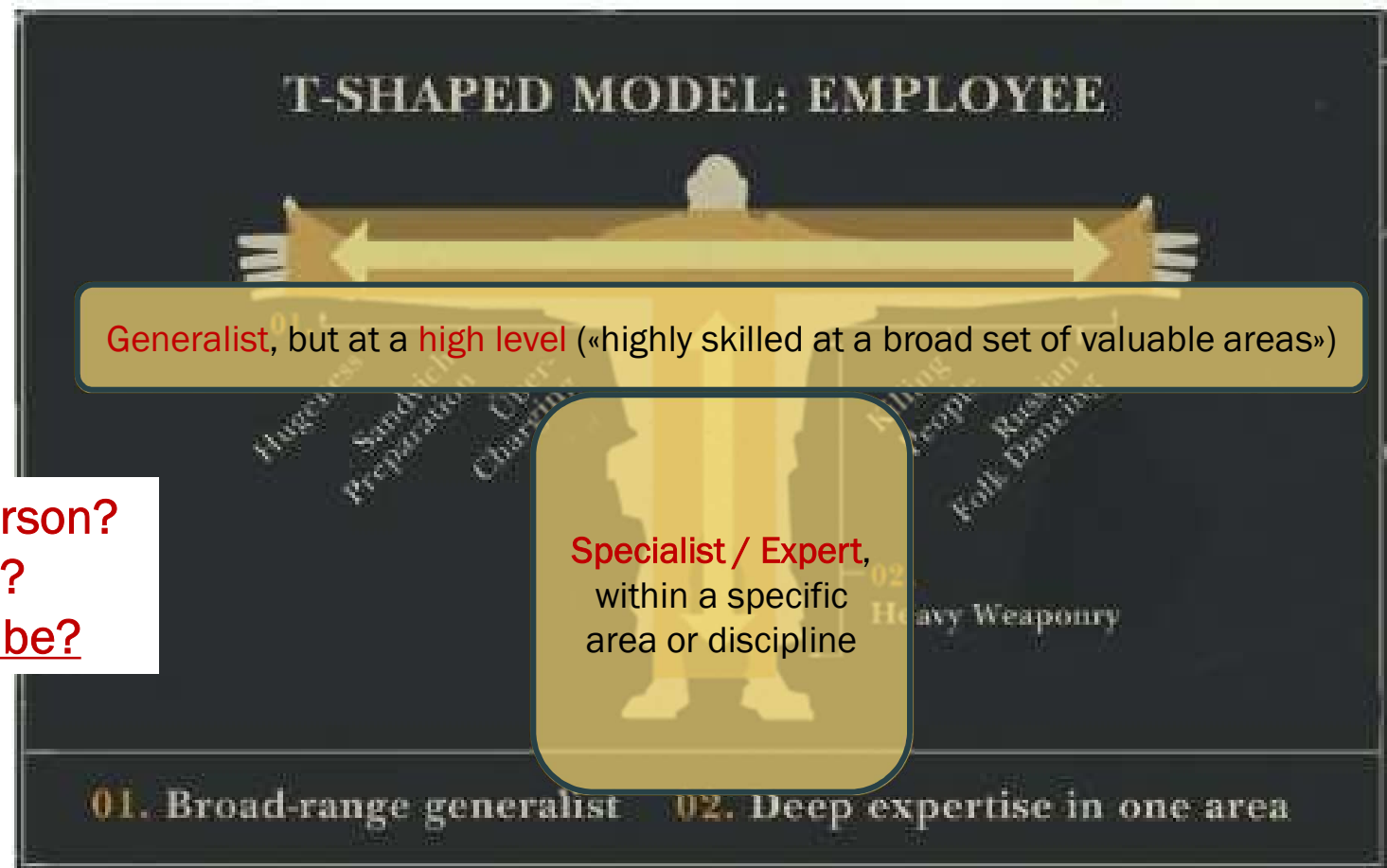   - *it is a FUTURE-ORIENTED management of initiative and autonomy*

4. HIRING, in Valve

VALVE

- We value highly collaborative people, who can deconstruct problems on the fly, and talk to others as they do so, simultaneously being inventive, iterative, creative, talkative, and reactive

- These things actually matter far more than deep domain-specific knowledge or highly developed skills in narrow areas. This is why we'll often do NOT hire candidates who, narrowly defined, are the "best" at their chosen discipline

- We value "T-shaped" people. That is, people who are both generalists (highly skilled at a broad set of valuable things—the top of the T) and also experts (among the best in their field within a narrow discipline—the vertical leg of the T)
  - *PLEASE NOTICE: Valve puts at least as much emphasis (if not MORE) on CULTURAL FIT (between the company and the new hires) as to COMPETENCE and TALENT*

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4. HIRING, in Valve (T-Shaped People)

"T-shaped" people

T-SHAPED MODEL: EMPLOYEE

Generalist, but at a high level («highly skilled at a broad set of valuable areas»)

Specialist / Expert, within a specific area or discipline

01. Broad-range generalist   02. Deep expertise in one area

Are you a T-Shaped person?
Do you want to be?
Are you preparing to be?

4: HIRING

■ *traditional view:*

- *hiring the kind of people that we need to FILL existing "gaps"*

- *hiring curricula (expertise, background)*

- *hiring "vertically" (specialists)*

- *hiring as a "tecnhical" choice*

■ *the «Valve» view:*

- *hiring the kind of people that FIT with our culture*

- *hiring individuals (personality, abilities)*

- *hiring T-shaped people*

- *hiring as a «strategic» choice*

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ISSUES and CRITICISMS (again, this is not just about Valve)

VALVE

1. While the formal hierarchy is "flat", informal hierarchies do emerge

   - Senior employees, influential voices, and founders can still dominate decision-making, even without formal titles

   - Notice: this can be both a good thing (coordination is always essential!!) and a bad thing (power is just a tool: the outcomes depend on how it is used)

2. Former employees have said that Valve's "sink or swim" culture is especially difficult for new hires

   - Without a clear project, manager, or support structure, new hires and/or less assertive people may struggle

   - That is why they put a lot of emphasis on "cultural fit" of new employees

3. Peer reviews, stack ranking evaluations may foster "popularity contests" and "politics" rather than pure merit.

   - former employees said that being unpopular or socially distant can damage one's standing, regardless of performance

VALVE

4. Lack of diversity

- a flat structure without formal accountability mechanisms may be particularly **bad at addressing systemic bias**

- however, this is a more complex issue, as it may lead to paradoxes (we will talk about it later)

5. Sudden abandonment of projects

- because projects happen when people decide to work on them, if no one wants to continue, the project ends

- this has led to sudden and unexplained cancellation or stagnation of major projects (Half-Life 3, Artifact, Steam Machines)

6. Is it a "scalable" model?

- for larger organizations, with thousands of employees?

- however ... do you think that, in the near future, companies will tend to decrease the number of employees?

VALVE IS A RARE BUT NOT UNIQUE CASE

- Supercell (mobile games)

- Gore-Tex (textile)

- Zappos (online retail)

- Buurtzorg (health care)