AVT BUSINESS SCHOOL

RADICAL PRACTICALITY · PRACTICE 06

The Two-Pizza Team

Why the most powerful teams in the world
are the ones small enough to feed with two pizzas

WHITE PAPER — 25TH ANNIVERSARY PROGRAM
MARCH 2026

EXECUTIVE SUMMARY

Why the Best Teams in the World Are the Smallest

If a team can't be fed by two pizzas, it's too big. Jeff Bezos's famous rule is backed by over a century of research — from Ringelmann's 1913 rope-pulling experiment to Hackman's decades of team dynamics research at Harvard — all pointing to the same conclusion: team performance degrades sharply beyond seven to eight members. Communication overhead grows exponentially, accountability diffuses, social loafing increases, and the people closest to the work lose ownership.

Yet most organizations routinely assign fifteen to twenty-five people to major initiatives. The instinct to throw more people at a problem is one of the most persistent and most counterproductive habits in management. The two-pizza team is the antidote.

The most radical application of this principle comes from Haier, the world's largest appliance manufacturer, which reorganized its entire 80,000-person workforce into more than 4,000 self-managing microenterprises — small teams of ten to fifteen people, each with decision-making authority, hiring power, and profit-sharing rights. Approximately 12,000 mid-level managers were eliminated. The result, as Hamel and Zanini document in *Humanocracy*: a company that acts like thousands of startups with the resources of a multinational.

This white paper explains the science behind small teams, the organizations that have built their entire operating model around them, and how to start breaking your own teams into smaller, more autonomous units this week.

CHAPTER 1

The Math That Managers Ignore

The Coordination Tax

The core problem with large teams is not motivation or talent. It is coordination. Every person added to a team creates new relationships that must be managed — not formal channels, but the informal web of alignment, handoffs, updates, and mutual understanding that keeps a group working as a unit rather than a collection of individuals.

The number of unique pairwise connections in a team grows according to the formula n(n−1)/2. In a team of five, there are ten pairs of people who might need to coordinate. In a team of fifteen, there are 105. In a team of twenty-five, there are 300. Not all of these pairs will communicate daily — but every one of them represents a potential point of misalignment, duplicated work, or missed handoff. The larger the team, the more time and energy is spent ensuring that everyone knows what everyone else is doing, and the less time is spent actually doing the work.

This is why meetings metastasize as teams grow. A team of five can align in a hallway conversation. A team of fifteen needs a standing meeting, an agenda, a facilitator, and follow-up action items. A team of twenty-five needs multiple sub-meetings, a coordination layer, and someone whose full-time job is to synthesize and distribute information. The coordination tax scales faster than the team itself.

As Bezos observed: “Communication is a sign of dysfunction. It means people aren’t working together in a close, organic way. We should be trying to figure out a way for teams to communicate less with each other, not more.”

Ringelmann’s Rope

In 1913, French agricultural engineer Maximilien Ringelmann asked volunteers to pull a rope as hard as they could. When only one person pulled, they gave 100% of their effort. As more people were added, individual effort declined. This was not laziness — it was a structural effect: when your contribution is invisible in a crowd, you unconsciously reduce your effort. Ringelmann’s experiment is the earliest documented evidence of what psychologists now call social loafing, and it has been replicated hundreds of times across cultures and contexts.

The implication for teams is direct: the larger the team, the less each member contributes. Individual accountability disappears, and with it, individual ownership. In a team of six, your contribution is visible. In a team of twenty, it is not.

Hackman’s Rule: No Double Digits

J. Richard Hackman, Harvard’s leading researcher on team dynamics, spent decades studying what makes teams effective. His conclusion was blunt: “Big teams usually wind up just wasting everybody’s time.” His own rule of thumb echoed Bezos: no double digits. Once a team crosses into ten or more members, process problems — coordination failures, diffused accountability, unequal participation — begin to overwhelm the benefits of having more people.

> *“The larger a group, the more process problems members encounter in carrying out their collective work. It’s managing the links between members that gets teams into trouble.” — J. Richard Hackman*

CHAPTER 2

Small Teams, Big Results: Amazon

The two-pizza team is not a metaphor at Amazon. It is an operating principle that has shaped the company's structure since the early 2000s. When Amazon was still primarily an e-commerce company, Bezos recognized that the tightly coupled architecture of both the software and the teams was beginning to slow the company down. His solution was to break both apart simultaneously: small, autonomous teams, each owning a defined piece of the customer experience, empowered to build, test, and ship independently.

The results speak for themselves. Amazon Web Services, now a multi-billion-dollar business, started as a small team project. Amazon Marketplace, the third-party seller platform that now accounts for more than half of Amazon's unit sales, was developed by a small team. The Kindle was a small team. The principle was consistent: small teams, clear ownership, full autonomy.

Why Small Teams Need Autonomy

A small team without decision-making authority is just a subcommittee that escalates everything. The two-pizza rule only works when the team can make decisions within its domain without requiring approval from a larger group. Bezos paired small teams with autonomy. One without the other does not produce the same results.

This is why, as Amazon evolved, the two-pizza team concept was refined into what Colin Bryar and Bill Carr describe in *Working Backwards* as "single-threaded leadership": a model where one leader owns one initiative with a dedicated team, free from competing priorities. The team is small. The leader is focused. The mission is clear. The authority is real.

CHAPTER 3

4,000 Startups Inside One Company: Haier

If Bezos proved that small teams work in a technology company, Zhang Ruimin proved they work everywhere. In 2005, the CEO of Haier — a Chinese appliance manufacturer with over 80,000 employees and $35 billion in annual revenue — began the most radical organizational restructuring in modern business history.

Zhang eliminated all middle management. He broke the company into more than 4,000 self-managing microenterprises, each consisting of ten to fifteen people. Approximately 12,000 mid-level managers either started their own entrepreneurial ventures within the new structure or left the company. The result is what Zhang calls the RenDanHeYi model: a network of small, self-governing units, each with what Haier calls the "three rights" — the right to make independent decisions, the right to hire talent, and the right to distribute profit.

How the Microenterprise Works

Each microenterprise operates as a small business within the larger Haier ecosystem. It is responsible for its own survival and growth. If a microenterprise does not create sufficient value for users, it does not receive resources. If it thrives, it grows. Employees' compensation is directly tied to the market success of their work — effectively making every person an entrepreneur.

The relationship between the CEO and the front line was inverted. In Zhang's phrase: "Everyone becomes their own CEO." This was not metaphorical. When McKinsey asked Zhang why so few companies had adopted the model, his answer was revealing: "Adopting our model requires giving up powers, including decision making, hiring and firing, and setting compensation. You must delegate all those powers to the microenterprises themselves."

> *Zhang Ruimin famously asserted that in the internet age, a CEO should "disappear" like a dinosaur, because holding all decision power at the top stifles agility.*

What Hamel and Zanini See in Haier

In *Humanocracy*, Hamel and Zanini hold up Haier as perhaps the most compelling example of what becomes possible when an organization takes the small-team principle to its logical conclusion. The microenterprise structure — with just two levels separating the frontline from the CEO — eliminates the bureaucratic drag that conventional hierarchies create. The result: a company that acts like thousands of startups with the resources of a multinational, and that maintained double-digit growth even during the COVID-19 crisis while competitors contracted.

CHAPTER 4

Why Large Teams Persist

If the evidence for small teams is so strong, why do large teams persist? The barriers are cultural and psychological, not logical.

The Resource Fallacy

When a project is important, the instinct is to assign more people to it. More people signal commitment, seniority, and investment. The fallacy is that more people means more output. In reality, beyond a threshold of seven to eight, each additional person adds less value than the coordination cost they create. But the instinct is powerful, because it is visible: a large team looks important. A small team looks under-resourced.

The Inclusion Trap

Nobody wants to be left off a project team. Leaders, eager to avoid political fallout, add people to project teams not because they are needed but because excluding them would cause offense. The result is teams bloated with members who attend meetings, consume updates, and contribute to coordination overhead without adding proportional value to the work.

The Specialization Myth

Complex projects are assumed to require deep specialization across many domains, leading to teams that include representatives from every function. But specialization within a team and size of a team are different things. A team of six generalists who can make decisions quickly will often outperform a team of twenty specialists who spend most of their time coordinating.

The Control Imperative

Large teams require more management. More management creates more management positions. More positions create more career paths. The hierarchy feeds itself. Small, autonomous teams need fewer managers — which is precisely why, as Zhang Ruimin discovered, the transition to microenterprises required eliminating 12,000 management positions. The structure itself resists smallness.

The Portfolio Problem

Antonio Nieto-Rodriguez, author of *Powered by Projects* and the world's leading authority on project management, identifies a related failure at the portfolio level. In almost every organization he advises, he encounters the same problem: far too many projects, and far too few that truly matter. In one case, a company of 900 employees was running 1,200 projects simultaneously. The result was not ambition — it was gridlock.

The connection to team size is direct. When an organization runs too many projects, it spreads its people too thin, assigning them to multiple initiatives simultaneously. Each person sits on three, four, five project teams. No single team has their full attention. The result is large, part-time teams instead of small, dedicated ones — precisely the opposite of what the research prescribes. Nieto-Rodriguez's prescription mirrors Bezos's: fewer projects, smaller teams, full commitment. As he writes in his 2025 HBR article, success comes not from starting more but from stopping what no longer matters — and concentrating the people you have on the projects that do.

CHAPTER 5

The Anatomy of an Effective Small Team

Not every small team is effective. Size is necessary but not sufficient. Research and practice point to four additional conditions that must be present:

CONDITION	WHAT IT MEANS	WHAT GOES WRONG WITHOUT IT
Clear mission	The team knows exactly what it is responsible for and how its success will be measured.	Small teams without a clear mission become social clubs. Energy dissipates into activity without direction.
Real autonomy	The team can make decisions within its domain without escalating for approval.	Small teams without autonomy become subcommittees — they discuss but cannot act.
Full accountability	The team owns its outcomes. Success is celebrated; failure is owned and learned from.	Without accountability, autonomy becomes license. The team makes decisions but is not answerable for results.
Stable membership	The same people work together long enough to develop trust, shared context, and efficient communication.	Rotating membership destroys the tacit knowledge and interpersonal trust that make small teams fast.

Bezos paired small teams with autonomy. Haier paired them with profit-sharing and the three rights. Hackman's research emphasizes stable membership and a compelling direction. The common thread: size alone is not enough. The small team must also be genuinely empowered, genuinely accountable, and genuinely stable.

CHAPTER 6

A Practical Guide to Starting

Week 1: Audit Your Teams

List every team, project group, and standing committee in your area of responsibility. Note the number of members in each. Any group with more than eight people is a candidate for restructuring. Any group with more than twelve is almost certainly carrying dead weight.

Week 2: Split One Team

Take your largest team or project group. Ask: could this be split into two or three autonomous sub-teams, each with a clear mission and full decision-making authority? Define each sub-team's mission in a single sentence. Assign ownership. Try it as a 90-day experiment.

Month 1: Pair Size with Autonomy

Splitting a team without granting autonomy changes nothing — you have simply created two subcommittees instead of one. For each new sub-team, define the decisions they can make without escalating. Be specific: budget authority, hiring input, process design, customer commitments. The more decisions they own, the faster they will move.

Month 2–3: Measure and Adjust

After 60 days, compare the output of the smaller teams to the output of the original large team. Common observations: decisions are faster, meetings are shorter, individual contributions are more visible, and morale is higher. Also common: some coordination challenges between the sub-teams, which need to be solved with lightweight interfaces (a shared document, a weekly 15-minute sync) rather than by recombining the teams.

Quarter 2: Make It Structural

If the experiment works, make it permanent. Enshrine the two-pizza rule as a team-design principle: no team larger than eight without an explicit justification. When a project needs more than eight people, the default is to create multiple teams, not one big one.

CHAPTER 7

The AVT Challenge

The two-pizza team is Radical Practicality at its most structural. It requires no budget, no technology, no consultants. It requires only the willingness to challenge the reflexive assumption that big projects need big teams — and the courage to split a team in half and see what happens.

The evidence is overwhelming. Ringelmann proved it with a rope in 1913. Hackman proved it at Harvard over decades. Bezos proved it at Amazon. Zhang Ruimin proved it at Haier with 80,000 people. The science is settled: small teams outperform large ones. The only question is why so many organizations continue to ignore it.

Our challenge to every AVT member:

1. Audit your teams. Identify every group with more than eight members.
2. Take the largest one and split it into two or three sub-teams, each with a clear, one-sentence mission.
3. Grant each sub-team real decision-making authority within its domain. Define the boundaries explicitly.
4. Run it as a 90-day experiment. Measure speed, quality, and morale against the baseline.
5. Share one observation with the AVT community.

The two-pizza team sounds like a gimmick. It is not. It is one of the most powerful structural interventions available to any leader — and it can be tried with one team, in one meeting, this week.

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This white paper is part of AVT's 25th Anniversary Program: 25 Practices Nobody Uses (But Should). The two-pizza team is Practice 06 because it addresses the most intuitive yet most counterproductive instinct in management: the belief that important problems require large teams. They don't. They require small teams with big authority.