Self-managing organizations: Exploring the limits of less-hierarchical organizing

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ABSTRACT

Fascination with organizations that eschew the conventional managerial hierarchy and instead radically decentralize authority has been longstanding, albeit at the margins of scholarly and practitioner attention. Recently, however, organizational experiments in radical decentralization have gained mainstream consideration, giving rise to a need for new theory and new research. This paper reviews the literature on less-hierarchical organizing and identifies three categories of research: post-bureaucratic organizations, humanistic management and organizational democracy. Despite this extensive prior work, scholarly understanding of radical decentralization remains limited. Using the term self-managing organizations to capture efforts that radically decentralize authority in a formal and systematic way throughout the organization, we set forth a research agenda to better understand less-hierarchical organizing at its limits.

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Introduction

The formal managerial hierarchy in modern organizations is as persistent as are calls for its replacement. The managerial hierarchy, which took hold in organizations in the late nineteenth and early twentieth centuries, has proved remarkably resistant to change. Norms, mindsets, and cultural assumptions that pervade modern organizational life combine to reinforce an all but taken-for-granted belief in managerial power as the primary mechanism for ensuring performance. Within this institutional belief system, managerial power—or the granting of individuals in management roles formal authority to direct and evaluate the work of subordinates—constitutes the essential means of ensuring optimal results.

The conviction that managerial hierarchy clarifies roles and responsibilities and thereby allows people to coordinate tasks in a large enterprise with predictability and efficiency was a key factor in its wide adoption (Landes, 1986; Perrow, 1972; Weber, 1946; Williamson, 1981). Managers, a role that did not exist before the emergence of the form, serve as essential mechanisms for ensuring work is accomplished by direct reports and for integrating across roles (Adler, 2001; Burns & Stalker, 1961). Managerial authority provides a simple, efficient way to establish goals and to resolve disagreements (Magee & Galinsky, 2008; Nickerson & Zenger, 2004; Simon, 1947; Williamson, 2000). Finally, managerial authority helps to ensure control and accountability in situations where work cannot be perfectly contracted or specified (Ouchi & Maguire, 1975; Williamson, 1981). Still, the persistence of the managerial hierarchy may be explained as much by a belief in its effectiveness as by its actual effectiveness. Another factor is almost certainly a lack of perceived viable alternatives.

Over the last half-century, limitations of the managerial hierarchy have become increasingly apparent. A longstanding research tradition suggests that managerial hierarchy functions more effectively in stable conditions but faces serious challenges in dynamic conditions (Burns & Stalker, 1961; Mintzberg, 1979). Similarly, researchers

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1 There are many definitions and conceptualizations of hierarchy; thus, to define our terms clearly, we use managerial hierarchy to refer to an organizational design that emerged in the late 19th and early 20th century in large-scale capitalist enterprises and featured multiple levels of authority, in which the middle layers of managers were not owners (Chandler, 1977). This organizational design still predominates today (Grunfeld & Tiedens, 2010; Pfeffer, 2013), and relies on two basic principles: (1) a hierarchy of authority—that is, individuals reporting to managers who have the authority to direct and prioritize the execution and allocation of tasks, review performance, and in many cases, hire and fire; and (2) a hierarchy of accountability—that is, work accountabilities roll up from direct reports to managers who hold ultimate accountability for the work of all those below in the organization chart. The core unit of the managerial hierarchy is the reporting relationship between manager and subordinate, a relationship that has been described as hierarchic by the principle of unity of command (Fayol, 1949), supervision of lower offices by higher ones (Weber, 1946), and obedience to superiors (Burns & Stalker, 1961). Ultimately, the manager-subordinate relationship is characterized by a “power-over” dynamic that gives managers the authority to supersede subordinates when conflicts arise. Further, subordinates lack the recourse to object to decisions made by managers. Contrast the managerial hierarchy with cooperatives that may choose to organize hierarchically by democratically electing leaders. In such organizations, leaders may make decisions with which other organizational members disagree but this authority is endorsed from below and revocable. In managerial hierarchies, managerial authority is enduring and irrevocable from below. We use hierarchy to refer to a broader set of phenomena that include a hierarchy of formal authority, as depicted in classic pyramid-shaped organizational charts (Weber, 1947; Jaques, 1996) and a hierarchy of informal authority or status, as evidenced by dominance vs. deference behaviors and hierarchical speaking rules (e.g., Anderson, Willer, Kilduff, & Brown, 2012; Bales, Strodbeck, Mills, & Roseborough, 1951; Detert & Edmondson, 2011). Wherever possible, we try to specify whether we are speaking of formal hierarchy or informal hierarchy. Note that managerial hierarchies are characterized by both formal hierarchy and informal hierarchy. Indeed, not only do managers have formal authority over subordinates in a variety of domains, but the ubiquity of hierarchical speaking rules, deference behaviors, and implicit voice theories in organizations indicate the correlative existence of
suggest that managerial hierarchy works to ensure reliable execution of known tasks but inhibits solving complex non-routine problems, especially those that span functional boundaries (Adler, 2001; Barley, 1996; Heckscher & Donnellon, 1994). Managerial hierarchy, with its flow of directives from top to bottom, tends towards rigidity, making it best suited for the execution of plans or tasks without need of rapid change (Burns & Stalker, 1961; Hamel, 2007). Finally, managerial hierarchy creates and reinforces status differences that can stifle the developmental and growth needs of its human members (Kegan, 1998; McGregor, 1960). Several streams of research in the management literature thus illuminate shortcomings of managerial hierarchy as an organizational design — shortcomings that seem especially problematic for modern organizations. This research, especially in its most recent threads, reflects three broad trends in business and society.

*Trends that motivate the search for less-hierarchical forms of organizing*

First, the oft-noted pace of change created by faster information flows and sudden technological developments poses obvious threats to the ostensibly rigid managerial hierarchy. Observers of both business and public sector organizations acknowledge the presence of substantial turbulence and uncertainty (Ancona, Bresman, & Kaeufer, 2002; Martin, Liao, & Campbell, 2013; Starkey, Barnatt, & Tempest, 2000), and note the problematic implications of this dynamism for the managerial hierarchy. When environments or customer needs are changing quickly, organizational employees may need to respond more quickly than managerial controls and reporting relationships allow, leading to missed opportunities and other failures.

The second trend is growth in knowledge-based work. More and more organizations operate in the so-called knowledge economy, where ideas and expertise comprise the primary sources of value creation, in contrast to the production and distribution of material goods (Blackler, Reed, & Whitaker, 1993). One implication of operating in the knowledge economy is that managers rarely have the full expertise needed to solve organizational problems. Rather, individuals at all organizational levels must contribute information and ideas for their organizations to succeed. Answers handed down from above are less likely to generate the products, services, or solutions needed to succeed.

Third, a trend towards viewing work and organizations as places for personal meaning, given that some traditional sources of meaning play a declining role in many parts of society, has fostered interest in improving employee experiences at work (Podolny, Khurana, & Hill-Popper, 2004). This trend may have gained increased attention with the entrance of so-called “millennials” into the workforce, who, according to some recent research, seek or expect personal fulfillment and mission through their work more than did prior generations (De Hauw & De Vos, 2010; Ng, Schweitzer, & Lyons, 2010; Rawlins, Indvik, & Johnson, 2008). Although millennial work preferences are unlikely to be homogenous (Ng, Johnson, & Burke, 2015), subjugation to managerial power and the hierarchical speaking rules that tend to accompany formal hierarchy, such as not criticizing the manager’s ideas or not bypassing one's boss upward (Detert & Edmondson, 2011), is seen by many as antithetical to millennial work preferences. Many of these new entrants see work as more meaningful when they have greater control over it (Turco, 2016).

**Approaches to less-hierarchical organizing**

These trends have put increasing pressure on the managerial hierarchy and made its limitations more apparent to both scholars and practitioners, which in turn has led to numerous and varied efforts to organize less hierarchically. For example, self-managed teams have been used to delegate managerial authority to groups of individuals who are close to, and expert in, the work that must be carried out on behalf of the organization and its customers (Barker, 1993; Hackman, 1986; Manz & Sims, 1987). Similarly, participatory management implements structures to increase worker participation, such as committees where workers can influence aspects of their work experience ranging from working conditions to the strategic direction of the company (Collins, 1995; Cotton, Vollrath, Lengnick-Hall, Jennings & Froggatt, 1988). Employee empowerment initiatives, in which managers empower employees to make decisions and act within their scope of task expertise, seek to reduce informal hierarchy by instilling new cultural and relational norms (Conger & Kanungo, 1988). In some cases, alternative structures or norms combine in ways that lead to distinctly new forms of organizing. In a classic early study in this domain, Burns and Stalker (1961) observed and theorized the emergence of “organic” organizations, characterized by team-based operating that cut across functional and hierarchical lines with more horizontal patterns of communication, which they argued were better suited to dynamic contexts than traditional bureaucratic hierarchies.

Each of the above approaches describes an effort to organize less hierarchically. Less-hierarchical organizing refers to efforts to adapt the managerial hierarchy so that authority is decentralized relative to classic hierarchical principles of unity of command, supervision of lower offices by higher offices, and obedience to superiors (Burns & Stalker, 1961; Fayol, 1949; Weber, 1946). Decentralization of authority can occur in numerous ways, either by decreasing the number of levels of formal authority (i.e. “flattening” the formal hierarchy) or by creating a more equitable distribution of authority across existing hierarchical levels.2

2 Some early research argued that control is not a zero-sum game, and that, in more effective organizations, junior and senior members both exhibit greater influence over organizational decisions compared to in less effective organizations (Tannenbaum, 1962). Thus, even within managerial hierarchy, patterns of informal influence can vary substantially.
Recent experiments with less-hierarchical organizing

In the last decade, discourse on and experiments with ways to organize less hierarchically have continued and, arguably, intensified. For example, recent works in both practitioner and scholarly literature have explored less-hierarchical forms of organizing under the aegis of the “future of work,” the “future of management,” and “reinventing organizations” (Hamel, 2007; Laloux, 2014; Malone, 2004; Turco, 2016). Simultaneously, a recent spate of real-world experiments with less-hierarchical organizing have gained notoriety for their efforts to not simply adjust the managerial hierarchy but rather to depart from it altogether by severing the reporting relationship between subordinate and manager.

One recent case that has garnered considerable managerial and scholarly attention is the online retailer Zappos (Bernstein, Bunch, Canner, & Lee, 2016). In 2013, Zappos adopted an organizational system called Holacracy. Holacracy was not developed by Zappos but rather by Ternary, a software company that experimented with principles of self-management in running its own activities and then formalized the system to make it available to other organizations (Robertson, 2015). In adopting Holacracy, Zappos embraced an integrated set of detailed prescriptions that formally eliminated people managers and gave individual employees full autonomy over how they would execute their roles. Instead of managers directing the work of individuals, individuals were to be directed by highly formalized, yet flexible, role definitions. The increased formalization of work into roles is apparent in the fact that, two years after adopting Holacracy, the number of roles per employee at Zappos grew from one per employee to 7.4 per employee (Bernstein et al., 2016). This growth reflected less a drastic increase in workload than a more refined and detailed set of role definitions. Despite their increased formalization, the work roles were extremely flexible. Groups met to define and revise roles in regular “governance meetings.” In governance meetings, any individual in a work group could propose changes to the way the group was organized, such as shifting any role’s accountabilities, or proposing a new work group policy. All proposed changes were discussed and consented to by the group. As a result of this revision process, formal roles frequently evolved as new issues emerged.

Tony Hsieh, Zappos’s CEO and founder, explained that he wanted to implement Holacracy because productivity per employee had decreased as the organization grew, and he thought that making the company more self-organizing might reverse that trend. He reasoned that, in contrast to companies, cities, which are self-organizing, demonstrate increases (rather than decreases) in innovation and productivity per individual as they became larger (Reingold, 2016). Hsieh was motivated by the belief that companies might do likewise, if they were managed by self-organizing structures or systems.

Morning Star, the tomato processing company, presents another recent visible case of radical decentralization that has been studied by scholars and practitioners (Gino & Staats, 2014; Hamel, 2011). Starting in the 1990s, Morningstar developed its own system of self-management in which, rather than managers directing work, individual employees voluntarily enter bilateral contracts with other employees. These contracts, called Colleague Letters of Understanding or CLOUs, outline individual responsibilities, activities, goals and metrics for evaluating performance. These contracts are renegotiated at least once a year and form the basis of how work is coordinated. Additionally, elected committees settle compensation and also resolve conflicts between employees. The company’s goal was to foster an environment where employees will be self-managing professionals, initiating communications and the coordination of their activities with fellow colleagues, customers, suppliers, and fellow industry participants, absent directives from others” (Gino & Staats, 2014).

Valve, one of the largest and most successful makers of computer games, serves as a third recent case of a company that has garnered scholars’ attention for its radical decentralization of authority (Baldwin, 2015; Foss & Dobrojaska, 2015; Foss & Klein, 2014; Puranam & Håkons, 2015). Founded in 1996, Valve developed a unique organizational design in which employees have full flexibility and autonomy to choose the games on which they would like to work. Rather than managers or executives determining which games should be developed, this internal process of employees voting with their feet determines which games the company develops. As the Valve employee handbook explains to new employees, “nobody ‘reports to’ anybody else. We do have a founder/president, but even he isn’t your manager. This company is yours to steer—toward opportunities and away from risks. You have the power to green-light projects. You have the power to ship products.”

As examples of efforts to fundamentally depart from the managerial hierarchy, Zappos, Morning Star, and Valve are neither alone nor new. Interest in new organizational forms has existed for many years. Previous efforts to reimagine conventional organizational hierarchies include well-documented examples such as Oticon, W.L. Gore, Semco, and Johnsonville Sausage (Foss, 2003; Semler, 1989; Stayer, 1990). Like Zappos, Valve and Morning Star, these earlier companies discarded the traditional managerial role and gave employees autonomy to manage themselves.

Although the recent examples are not wholly new, the attention they have gained suggests a resurgence of interest among practitioners in radical alternatives to the managerial hierarchy. Notably, a global network of firms, consultants and thought leaders, called Responsive.org, has recently emerged to explore alternatives to the managerial hierarchy. Started by a successful Silicon Valley entrepreneur, the network has grown to more than 2500 individuals and holds conferences in over 40 cities.

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1 Organizations structured based on collective ownership, such as cooperatives and kibbutzim, have also historically eschewed the traditional managerial hierarchy organizational design (Ashforth & Reingen, 2014; Warhurst, 1998).
around the world. In addition, the development of Holacracy, as one of the first fully specified models of radical decentralization that organizations can adopt wholesale, stands as a noteworthy milestone. Hundreds of organizations have shifted to self-management by adopting Holacracy, avoiding the painful trial and error of developing their own system (Robertson, 2015).

Delineating radical versus incremental approaches to less-hierarchical organizing

Given the recent surge in interest in less-hierarchical organizing, we sought to review relevant literatures to understand how recent experiments and discussions fit into prior work. Our review produced two key insights that form the basis of this paper. First, the existing literature on less-hierarchical organizing is broad and variegated, encompassing micro, meso, and macro perspectives. Despite emanating from the same basic premise – namely, that reducing the dysfunctional tendencies of managerial hierarchies is valuable – these streams of research are rarely conceptualized together. We believe that identifying and bringing together these diverse research streams helps us better understand the nature of less-hierarchical organizing.

Second, we argue that existing literatures on less-hierarchical organizing fail to make a distinction between radical versus incremental efforts to organize less hierarchically (that is, those that seek change within the contours of the managerial hierarchy versus those that fundamentally depart from it). As a result, research on real world experiments like those at Zappos, Morning Star and Valve have not been thoughtfully distinguished from other, incremental, efforts to organize less hierarchically. This is problematic for several reasons. To begin with, much of what we know about the internal dynamics of less-hierarchical organizations (e.g. coordination) comes from studies within firms that still ultimately rely on managerial authority (e.g. Burns & Stalker, 1961; Kellogg, Orlikowski, & Yates, 2006; Turco, 2016). Moving to a context without managerial authority may demand a qualitatively different and more robust set of mechanisms for coordinating work. Further, given a widespread belief that hierarchical organizing is both enduring and natural (Grunfeld & Tiedens, 2010; Pfeffer, 2013), understanding whether and how organizations can depart from the managerial hierarchy in reality, not just in principle, is of both scholarly and practical concern. Finally, understanding organizational systems that depart from managerial hierarchy can help us better understand the nature of the managerial hierarchy itself. Similar to the logic of Garfinkel’s (1964) breaching experiments that sought to better understand social behavior by examining reactions to violations of commonly held social norms, we contend that relaxing one of the core principles of the managerial hierarchy – namely, the reporting relationship between manager and subordinate – may help us understand aspects of conventional organizations that are taken for granted or otherwise difficult to see because of our embeddedness in this system.

Thus, in this paper, after reviewing relevant prior research, we seek to delineate a distinction between radical versus incremental efforts to organize less hierarchically. We use the term self-managing organizations to capture attempts to radically depart from the managerial hierarchy. In this way, we hope to energize and focus research on less-hierarchical organizing and to improve specifications and theory accordingly.

Conceptualizing self-managing organizations

We classify radical efforts to organize less hierarchically, as exemplified by experiments at Zappos, Morning Star and Valve, as self-managing organizations. We define self-managing organizations (SMOs) as those that radically decentralize authority in a formal and systematic way throughout the organization. What distinguishes self-managing organizations from managerial hierarchies and from efforts to make managerial hierarchies incrementally less hierarchical is that SMOs eliminate the hierarchical reporting relationship between manager and subordinate that serves as the core building block of the managerial hierarchy and constitutes its key mechanism of control. In self-managing organizations, all employees hold well-defined decision rights that cannot be superseded by someone simply because s/he is the “boss.” In this respect, if managerial hierarchy constitutes a system of feudalism where the vast majority of employees have no land ownership, then self-managing organizations introduce a system of property rights for all employees.

In the next section, we review research from several distinct literatures related to less-hierarchical organizing. Our analysis suggests that prior research – both in the individual categories of articles and in the full collection of articles – fails to adequately delineate between incremental versus radical attempts to organize less hierarchically. Following our review, we elaborate our definition of self-managing organizations, discuss its implications, and propose a research agenda for advancing understanding of efforts to radically depart from the managerial hierarchy.

Prior research on less-hierarchical organizations

As noted, for the better part of the last century, organizational scholars have discussed the limitations of the managerial hierarchy as a mode of organizing, and explored potential alternatives. Multiple perspectives have

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5 Note that Laloux (2014) occasionally used the term “self-managing organizations,” without offering a formal definition, when describing his case studies of radically decentralized organizational systems.

6 While self-managing organizations fundamentally depart from the managerial hierarchy, they do not necessarily eliminate formal or informal hierarchy. For instance, roles at Zappos are still arranged in a formal hierarchy, with some functional groups holding responsibilities that encompass the responsibilities of smaller subgroups. At Valve, informal status hierarchies hold significant sway over organizational decisions (Maier, 2013).
emerged from this work, leading to a variegated literature and myriad constructs that capture or describe different approaches to organizing less hierarchically. We thus sought to organize this prior research into a set of categories characterized by common attributes. This effort produced three categories, each encompassing a set of closely related themes, perspectives, levels of analysis and methodological approaches. We labeled the categories post-bureaucratic organizations, humanistic management, and organizational democracy. We then assessed how research in each category relates to our proposed concept of self-managing organizations, by exploring to what extent each category addresses or does not address the distinction between radical and incremental approaches to less-hierarchical organizing.

Methodology

To organize our review, we started with a list of familiar constructs that capture an element of, or approach to, less-hierarchical organizing. Given the breadth and variety of research on less-hierarchical organizing, the list included a variety of constructs across multiple levels of analysis. We constructed a list that included micro-level constructs such as empowerment and participation, meso-level constructs such as self-managed or self-directed work teams, and macro-level constructs such as post-bureaucratic organizations, industrial or organizational democracy and network organizations.

Using the constructs listed above, we identified theoretical and empirical articles through several approaches, including keyword searches in ABI/Inform and Google Scholar. To make our review most relevant to scholars in organizational behavior, we prioritized articles published in leading management journals. However, in some cases, key constructs were less well represented in management journals (e.g., organizational democracy), and so we included articles from journals in related disciplines such as business history and business ethics, and articles in respected practitioner outlets such as Harvard Business Review and Sloan Management Review. These latter articles represented a small minority of the total articles reviewed.

For each construct or keyword, we sought to capture a sufficiently large sample from each stream to understand commonalities shared by articles within it. We analyzed and coded each article, with a particular emphasis on understanding how the article conceptualized its particular approach to less-hierarchical organizing, the intended benefits of the approach, and its key design features. Next, we looked for commonalities across constructs along the coded dimensions. Through conducting this analysis of each of the 95 previously identified articles, we induced three superordinate categories to capture and organize the research on less-hierarchical forms of organizing. Although our three categories are distinct, we do not view them as mutually exclusive perspectives. Rather, they represent different lenses on the broad phenomenon of less-hierarchical organizing with different points of emphasis. Table 1 provides keywords and illustrative examples from each category.

In the remainder of this section, we summarize work in each of the three categories. We share key themes from the research in each and discuss its relevance to the phenomenon of self-managing organizations.

Post-bureaucratic organizations

The post-bureaucratic organizations category combines articles found using the keywords post-bureaucratic organizations, network organizations, organizational design, and management of innovation. Although the category encompasses different streams of research, Burns and Stalker’s study of Scottish and English firms (1961) serves as a shared origin for much of this work. Burns and Stalker’s early recognition that flatter and more fluid structures existed, which they described as the “organic” systems, spawned subsequent attention to and research on organization designs that foster flexibility rather than efficiency.

Articles in this category share several features: First, they tend to focus on how organizations can accommodate the increased rate of change in the environment, and they reflect the shift towards more knowledge work and the need for continual innovation. Research in this category thus tends to discuss less-hierarchical organizing as a means of helping organizations to be flexible, responsive and innovative. Generally employing an organization-level of analysis, many papers are theoretical, and some are empirical case studies. These papers are predominantly published in management journals.

Table 1
Three categories of research on less-hierarchical organizations.

<table>
<thead>
<tr>
<th>Constructs/keywords</th>
<th>Post-bureaucratic organizations; network organizations; organization design; management of innovation</th>
<th>Empowerment; participatory management; participation in decision-making; self-managed teams</th>
<th>Industrial democracy; organizational democracy; workplace democracy; democratic organizations</th>
</tr>
</thead>
</table>
**Intended benefits**

As noted, articles in this category address how organizations can be designed for flexibility and responsiveness (Foss, 2003; Heckscher & Donnellon, 1994; Ouchi, 1980; Torbert, 1974; Volberda, 1996), knowledge creation and learning (Adler, 1993; Nonaka, 2007) and thus for organizational effectiveness and survival in a changing environment (Birkinshaw, Hamel, & Mol, 2008; Foss, 2003; Zenger & Hesterly, 1997). For example, Volberda (1996) explored the organizational design and managerial implications of how organizations can optimize for flexibility, proposing that flexibility takes different forms, depending on the variety of new organizational capabilities and the speed with which they can be activated. He argued that a firm’s structure, such as the level of decentralization, its technology and its culture, comprises the “flexibility mix” of a firm. Torbert (1974) outlined a stage model of organizational development that evolves from the rigidity of a bureaucratic structure to the flexibility of what he calls “openly chosen structure” that includes horizontal rather than vertical role differentiation and communication across hierarchical boundaries. Regarding knowledge creation, others discuss what organizing for knowledge creation entails, including the vital role of middle managers (Nonaka, 2007) or how the Toyota production system fostered learning in an otherwise bureaucratic setting by giving more autonomy to front line workers (Adler, 1993). Finally, this research tends to view flexibility and knowledge creation as vital for organizational survival in a hyper-competitive or dynamic environment (Birkinshaw & Hamel, 2008; Volberda, 1996; Zenger & Hesterly, 1997). In sum, articles in this category emphasize less-hierarchical organizing as a means of enabling organizations to survive in a new post-industrial environment in which knowledge creation and innovation serve as the key drivers of success.

Evaluative data on the success or efficacy of post-bureaucratic organizing are scarce. This scarcity is due in part to the many conceptions of post-bureaucratic organizing and to the difficulty of controlling for the myriad factors that may influence organizational flexibility and innovation. Most of the empirical research in this category thus takes a single or multiple case study approach, usually focusing on design features that enable these cases to exhibit greater flexibility or innovation (e.g., Adler, 1993; Burns & Stalker, 1961; Foss, 2003).

**Design features**

The features of post-bureaucratic firms described by scholars in recent years continue to echo the description of the organic form offered decades ago by Burns and Stalker. Notably, the organic form includes a network structure of control, authority and communication, horizontal versus vertical communication patterns, more fluid and ambiguous individual roles and greater individual commitment to the firm (Burns & Stalker, 1961). Scholars have emphasized some of the same shifts in subsequent decades, using different terms, including the network form, flat organizations, and the rise of team-based work (Baker, 1992; Hamel, 2007; Malone, 2004; Romme, 1996; Zenger, 2002).

Articles in this category elaborate various elements of post-bureaucratic organizations, adhering to a set of consistent themes. Volberda (1996), for instance, emphasized technology, structure and culture as influences on organizational flexibility. Notably, a combination of batch production, instead of mass production, formality and decentralization promote experimentation and change in “the flexible form.” Mintzberg (1979) and Ciborra (1996) also note the importance of less formalized structure and call for authority that is not based exclusively on hierarchy, emphasizing horizontal influence rather than vertical authority (Heckscher & Donnellon, 2004; Kellogg et al., 2006). Finally, researchers emphasize that a culture of learning and continual reflection promotes organizational flexibility and responsiveness (Hedberg, Bystrom, & Starbuck, 1976; Torbert, 1974).

Research on post-bureaucratic organizations posits and explores principles for coordinating work that are not hierarchical. One such alternative organizing principle is the market, which unlike hierarchy, coordinates work dynamically through autonomous individual action, rather than through top down authority (Williamson, 1981; Zenger, 2002). Some papers in this category explore the idea that organizations can incorporate elements of market control into traditional hierarchies to create a hybrid system, where market principles supplement and weaken the organization’s reliance on hierarchical control (Foss, 2003; Foss & Dobrajska, 2015; Zenger & Hesterly, 1997).

Another organizing principle explored in this category, distinct from markets and hierarchy, is community (Adler, 2001; Adler & Heckscher, 2006; Ouchi, 1980). The community principle describes coordination achieved through mechanisms of trust and strong social bonds. Examples of organizations operating by the community principle include partnerships, open-source communities, and emergent communities of practice within firms (Adler, Kwon, & Heckscher, 2008; Seidel & Stewart, 2011). Adler (2001) argued that, not only does community organization hold advantages for knowledge creation compared to the impersonal mechanisms of the market and the coercive mechanisms of hierarchy, but also that community as an organizing principle is on the rise because of the increasing demands for knowledge production. Thus, community and market forms, as alternative organizing principles that are non-hierarchical, provide insight into post-bureaucratic approaches to organizing, with substantially different implications for theory and practice.

**Relevance for understanding self-managing organizations**

Research in the category of post-bureaucratic organizations overlaps with our concept of self-managing organizations. Articles in this category do study radical efforts to organize less hierarchically, such as at Oticon, which adopted a similar approach to Valve, giving employees full autonomy to work on any project and severing the manager-subordinate authority relationship (Foss 2003; Foss & Dobrajska, 2015). In addition, articles in this stream offer theoretical insights into the principles that guide radical efforts to organize less hierarchically, such as market and community principles.
However, in this category the distinction between radical and incremental approaches to less-hierarchical organizing generally remains ill-defined. In particular, in many studies of “post-bureaucratic organizations”, manager-subordinate authority relations continue to govern members of the organization despite its deviations from an ideal bureaucratic form (e.g. Adler, 1993; Kellogg et al., 2006). In addition, a variety of organizational phenomena labeled post-bureaucratic are inconsistent with our concept of self-managing organizations, including internet start-ups (Girard and Stark, 2002; Kellogg et al., 2006), outsourced firms (Adler 2001; Powell, 1990; Zenger & Hesterly, 1997), and, most recently, two-sided platforms such as Uber that utilize freelancers and contingent workers as a means of delivering services (Kane & Ransbotham, 2016). In general, the articles in this category exhibit greater clarity about what the concept of post-bureaucratic organization is not than what it is. Our review suggests that a variety of deviations from the ideal type of Weberian bureaucracy – a stable hierarchy, clear organizational boundaries, and well-defined roles – have been presented as post-bureaucratic organizations.

In this sense, a self-managing organization certainly can be classified as a post-bureaucratic organization. The encompassing and diffuse nature of the literature on post-bureaucratic organizations, however, is not limited to the essential features of self-managing organizations. We thus argue that the work on post-bureaucratic organizations does not adequately capture a distinction between radical versus incremental approaches to less-hierarchical organizing that underlies our concept of self-managing organizations.

**Humanistic management**

The second induced category in our review combines articles identified with the keywords empowerment, participation, participatory management, self-managed teams, and self-directed work teams. The integrating theme in this category is perhaps best articulated by McGregor’s (1960) seminal discussion of Theory X and Theory Y. McGregor argued that traditional hierarchical management is rooted in a set of assumptions about human nature, notably that humans are inherently lazy and require managerial oversight (Theory X). To meet the “higher” needs of individuals, McGregor proposed a contrasting set of assumptions—that individuals are intrinsically motivated—and so managers should empower individuals to manage themselves (Theory Y). McGregor was not alone in capturing the impulse towards humanism in management. Other influential voices include scholars at the Tavistock Institute whose studies of the social psychological consequences of scientific management and the mass production systems that ruled the day gave rise to self-managed teams (e.g. Trist & Bamforth, 1951).

Subsequent research on less-hierarchical work arrangements grew out of these early writings and led to research on constructs such as participatory management, empowerment and self-managed teams. Participatory management, which reached its highest usage as a term in the 1970s and 1980s, describes efforts to increase employee participation in various types and levels of decision-making. For some time, empowerment was used synonymously with participatory management (Bacharach & Lawler, 1980; Hinings, Hickson, Pennings, & Schneck, 1974). But eventually, empowerment was distinguished from participatory management by describing it as a psychological (rather than relational) construct that measures an individual’s sense of self-efficacy, self-determination and autonomy (Conger & Kanungo, 1988; Thomas & Velthouse, 1990). In this view, formal participation is neither a necessary nor sufficient condition for individual experiences of empowerment.

Self-managed teams, first explored by Trist and Bamforth’s study of longwall coal mining (1951) and one of the most popular approaches to empowering employees and increasing participation, have been implemented in a variety of organizational contexts (Barker, 1993; Hackman, 1986). Because of their widespread implementation by practitioners, self-managed teams have been the subject of substantial empirical research to examine their impact and efficacy (e.g. Cohen & Ledford, 1994; Cordery, Mueller, & Smith, 1991; Wall, Kemp, & Jackson, 1986).

Research included in this category shares an emphasis on shifting the hierarchical relationship between manager and subordinate to one that is more satisfying, motivating and productive for employees. These articles tend to present empirical studies (especially compared to the other two categories), and generally can be found in management and applied psychology journals that emphasize the individual and team levels of analysis.

**Intended benefits**

Articles in the humanistic management category tend to emphasize that empowering and fostering more participation among employees, whether through empowerment programs or self-managed teams, improves individual experience at work. Several studies have empirically supported such contentions. Efforts to empower and foster the participation of employees tend to increase an employee’s sense of control (Bartölke, Eschweiler, Flechsenberger, & Tannenbaum, 1982), job satisfaction (Cohen & Ledford, 1994; Cordery et al., 1991; Hodson, 1996), motivation (Hackman & Oldham, 1980), and organizational commitment (Cordery et al., 1991).

Studies in this category also have examined how these efforts impact performance, at both the individual (Seibert, Silver, & Randolph, 2004; Sexton, 1994) and team level (Black & Gregersen, 1997; Carson, Tesluk, & Marrone, 2007; Cohen & Ledford, 1994; Erez, Lepine, & Elms, 2002). These studies have generally found a positive relationship, although performance measures tend to be self-reported. Also, the efficacy of such efforts likely depends on multiple factors, including the organizational climate, employee selection, the availability of external coaching (Campbell, 2012; Cotton et al., 1988; Hackman, 1986; Kirkman & Shapiro, 1997).

On balance, from the perspective of humanistic management, moving to less-hierarchical forms of
organizing improves the experience of the individual at work and, as a result, the performance of individuals and teams. This emphasis on individual-level benefits differs markedly from articles in the post-bureaucratic organizations category, which emphasize organization-level benefits such as flexibility and knowledge creation.

Design features

Although empowerment, participatory management and self-managed teams differ in important ways, all three are part of the humanistic tradition seeking to understand the needs of individuals and develop work arrangements that give employees greater autonomy and influence. Participatory management focuses on decision-making, referring to any effort that increases the influence of employees on such decisions (Black & Gregersen, 1997). Examples of participatory management vary in the formality with which greater participation is fostered (e.g. a system of rules versus a consensual agreement), the extent to which participation is direct versus indirect (e.g. direct voting versus employee representatives), and what kinds of decisions workers can influence (e.g. personnel decisions, task design and assignment, working conditions, or general company policies) (Cotton et al., 1988). Despite this breadth, participatory management is closely associated with techniques to increase the power of labor in industrial settings through worker committees or quality circles (Bartölke et al., 1982).

While most participatory management efforts aim to “empower” employees in some way, research in empowerment emphasizes factors affecting an individual’s experience of self-efficacy (Conger & Kanungo, 1988). As a result, these scholars identify a host of factors affecting employees’ perceived empowerment, going beyond increased participation in decision making. These factors include supervisory style, the nature of reward systems (e.g. competence-based rewards, stock-based incentives), job design (e.g. role clarity, task variety, etc.), and organizational factors like culture and transparency (Conger & Kanungo, 1988; Hackman & Oldham, 1980; Spreitzer, 1996).

Self-managed teams comprise a specific approach to empowerment and participatory management that decentralizes decision authority to a team rather than to an individual. In self-managed teams, the work group, rather than the individual, is the essential unit of work, and control is exercised internally by group members rather than externally by managers (Trist, 1981). In addition, roles tend to be discretionary and fluid, allowing for greater work variety, in contrast to the prescribed and stable roles in typical hierarchies (Hackman, 1986).

In sum, this category encompasses several constructs that reduce formal and informal hierarchy. Despite studying different design features, research in this category shares a focus on adjusting the managerial hierarchy to increase employee influence, autonomy and satisfaction.

Relevance and limitations for understanding self-managing organizations

Self-managing organizations share the humanistic impulse that motivates research in this category. As Chris Rufer, founder and CEO of Morning Star, explained, “Our way of doing things is driven by our philosophy: people are productive when they are happy; people are happy when they have control over what they do” (Gino & Staats, 2014). The CEO of Zappos, describing the shift to a self-managing organization, explained, “I’m personally excited about all the potential creativity and energy of our employees that are just waiting for the right environment and structure to be unlocked and unleashed” (Greenfield, 2015).

However, research in this category, for the most part, studies incremental approaches to less-hierarchical organizing. These approaches aim to increase the autonomy of individual employees but maintain the manager-subordinate authority relationship. For example, research on empowerment tends to focus on psychological perceptions of self-efficacy and may or may not involve formal changes in the authority structure. Studies of participatory management and self-managed teams emphasize decentralizing authority for front line employees while generally leaving higher levels of management intact. In sum, humanistic management encompasses efforts that do not seek to replace the managerial hierarchy but rather soften its edges. Radical approaches to less-hierarchical organizing, which we label self-managing organizations, eliminate the manager-subordinate authority relationship at the core of the managerial hierarchy. Self-managing organizations radically and formally decentralize authority, not just on the frontlines, but throughout the organization.

Organizational democracy

The third category we induced combines articles identified using the keywords organizational democracy, industrial democracy, workplace democracy, and democratic organizations. The boundary around organizational democracy is perhaps the most clearly specified of our three categories due to the explicit reference to democracy or democratic practices in every included paper.

“Industrial democracy” emerged as a term at the turn of the twentieth century as part of a thriving union movement seeking to improve worker conditions during a period of rapid industrialization (Derber, 1970). Calls for organizational or workplace democracy have fallen quiet in recent decades. Indeed, few recent management journal articles discussing less-hierarchical forms of organizing explicitly invoke the term “democracy” (Battilana,
Feuerstein, & Lee, 2017). Although researchers have remained interested in alternatives to hierarchy during this time, organizational democracy as a vehicle for exploring the alternatives seems to have waned as a manifestation of this interest.

Nonetheless, more than a century after the concept first emerged, bringing principles of political democracy into the sphere of business organizations still resonates for some scholars and practitioners. The articles reviewed in this category represent a mix of theoretical and case-based empirical studies and come from management journals as well as from journals of business ethics.

**Intended benefits**

Like their early twentieth century predecessors, the more recently published articles we reviewed in this category tend to examine manufacturing contexts where labor-management relations are a salient issue, with a few recent articles focused on more general corporate contexts (e.g., Brenkert, 1992). These articles portray the intended benefits of democratic modes as improving relations between labor and management (Bass & Shackleton, 1979; Bussel, 1997; Sankowski, 1981), improving employee motivation (Manville & Ober, 2003), and increasing autonomy and empowerment (Forcadell, 2005). Hence, unlike the articles we categorized under post-bureaucratic organizations, those in this category focus on individual rather than organizational outcomes. Like humanistic management articles, they emphasize improving relational outcomes between managers and non-managers. Though the evidence is far from definitive, the few empirical studies that exist suggest that the impact of organizational democracy on labor management relations and employee motivation has generally been positive (Strauss, 1982).

**Design features**

The more recent literature in this category discusses three key features of organizational democracy. First and most important, democracy involves giving workers more influence and decision authority over their work and work environment. For example, consider the system of co-determination that Germany adopted in the 1970s, which required large firms to include worker representation within various management committees and the board of directors. This system gives workers an avenue for influencing decisions regarding both worker welfare and training as well as business direction and strategy (Bass & Shackleton, 1979). These joint labor-management committees form the bedrock of a variety of similar approaches to organizational democracy, which are generally aimed at increasing cooperation between unions and managers and giving workers a voice in how the workplace functions (Collins, 1995; Forcadell, 2005; Geare, 1976).

The organizational democracy literature encompasses a range of views on how much decision authority workers must have for an organization to qualify as democratic. Most argue that the expansion of employee influence in an organizational democracy must be formalized: For example, Brenkert (1992, p. 264) writes, “Employee participation cannot simply be a matter of chance, happenstance, or whim on the part of management. It must be secured and guaranteed to employees in the form of a right to participation.” Organizational democracy scholars disagree as to how much decision authority needs to be decentralized to qualify as democratic. Some take a hardline stance, arguing that authority must be equalized in an organization to count as democratic (Sankowski, 1981). Others take a more pragmatic perspective, and consider the aforementioned approaches of providing employees some formal mechanisms for exercising influence over the organization as a type of “middle range” democracy (Collins, 1995).

The second key feature of organizational democracy discussed in the literature is a democratic culture—described as an atmosphere of full and free communication regardless of rank or power (Slater and Bennis, 1964). Such a culture contains shared values related to citizenship, meaning that individuals hold not only rights in, but also responsibilities to, the collective (Forcadell, 2005; Manville & Ober, 2003). As Forcadell writes in his case study of Mondragon, one of the largest examples of a democratic organization, “No formal system of participation works without shared values of democracy, trust, responsibility and respect, so that what is needed is a civic culture with commonly held values” (Forcadell, 2005).

As noted by Battilana et al. (2017), articles on organizational democracy sometimes include employee ownership as a component of organizational democracy. Shared ownership is viewed as further reinforcing the distribution of decision rights and the democratic culture (Sauser, 2009). However, this was not a universal criterion across the articles reviewed.

Mondragon, perhaps the best-known example of a democratic organization, combines all three aspects of organizational democracy. A cooperative of cooperatives, Mondragon operates in over 60 countries and employs over 70,000 people (Forcadell, 2005). Operating in the finance, manufacturing and retail sectors, Mondragon sells insurance, manufactures products in a variety of industries, and operates a network of consumer retail stores. Being a cooperative means that every worker holds an ownership stake in the firm. A federal structure governs and coordinates action across the cooperatives, and elections are held at each level to choose representatives at higher levels, from cooperative, to cluster, to the corporate level. Individuals at Mondragon participate not only in the execution of work, often working together in self-managed teams, but also in setting firm strategy. An elaborate bottom-up process guides how strategy is set for the whole corporation and works to integrate the views across cooperatives and clusters. The organization also emphasizes a strong civic culture with a distinct sense of citizenship, and like many political democracies, employs a process of leadership rotation to prevent status hierarchies from solidifying.

**Relevance for understanding self-managing organizations**

The literature on organizational democracy describes certain elements included in our notion of self-managing organizations. Notably, the emphasis on formal
distribution of decision authority that is definitional to organizational democracy aligns with the formalization requirement in our definition of SMOs. While democratic forms of organizing can be hierarchical – albeit comprising temporary hierarchies that shift with changes in leadership – they do fundamentally reshape the pattern of authority relationships in an organization. Organizational democracy, however, does not adequately capture the distinction between incremental and radical approaches to less-hierarchical organizing for two reasons.

First, studies of organizational democracy encompass both incremental and radical approaches to decentralizing authority. Some present organizational democracy as incremental changes that increase employee participation without eliminating the manager-subordinate authority relationship; others use the term to describe organizations that are fully egalitarian and lack any differences in formal authority. Neither is entirely consistent with our concept of how self-managing organizations decentralize authority.

Second, even the egalitarian conceptions of organizational democracy emphasize a type of radical decentralization that precludes some types of self-managing organizations. To clarify, consider the distinction between community principles of organizing, which include interdependence and trust, and market principles of organizing, which include independence and autonomy. Market-based forms like Valve’s emphasize allowing employees to choose what they want; in contrast, the community-based organizing that underlies organizational democracy favors mutual influence between and by individuals. This distinction between community and market orientations highlights a key aspect of organizational democracy — notably, its emphasis on increasing employee influence over organizational decisions rather than increasing employee autonomy. In contrast, market-based forms like Valve prioritize autonomy and agility and thus, would likely not qualify as democratic.

Thus, while more radical models of organizational democracy, such as Mondragon’s, would qualify as a self-managing organization, the more incremental conceptions of democratic organizations would not. In turn, some examples of self-managing organizations, such as Valve, would not be considered democratic, per se. The research on organizational democracy thus does not adequately distinguish between radical and incremental approaches to less-hierarchical organizing.

Our review of the existing literatures thus reveals a broad and varied set of studies on efforts to organize less hierarchically that crosses levels of analysis. Table 2 summarizes our review of the three categories of research described. A key insight that we draw from this review is that prior research fails to adequately define and distinguish the boundary between radical and incremental approaches to less-hierarchical organizing. In the next section, we elaborate on our proposed definition of self-managing organizations and then develop a research agenda for further exploring radical departures from the managerial hierarchy.

### Toward a model of self-managing organizations

Prior work on post-bureaucratic organizations, humanistic management, and organizational democracy offers many relevant insights for building theory on current real-world experiments in less-hierarchical organizing such as those embodied by Zappos, Valve and Morning Star. Yet, as noted, these prior streams of research do not clarify the distinction between radical and incremental approaches to less-hierarchical organizing. In this paper, we seek to draw such a distinction, in a few different ways.

First, radical approaches differ from incremental in how much authority they decentralize. Specifically, we propose that models can be seen as radical if they eliminate the hierarchical reporting relationship between manager and...
subordinate. Such approaches give individuals full autonomy and authority to execute work without allowing oversight or direction from a boss or manager. The second distinction between radical and incremental approaches to less-hierarchical organizing is the scope of decentralization. Instead of decentralizing authority only lower in the organization, such as in self-managed production teams, radical forms decentralize authority throughout the entire organization. Third, given the challenges associated with changing power in organizations, we suggest that radical approaches to less-hierarchical organizing necessarily decentralize authority in a formal and systematic way.

Self-managing organization is an apt label to capture radical approaches to less-hierarchical organizing for two reasons. First, by eliminating the hierarchical reporting relationship between manager and subordinate, individuals and groups must “manage” themselves. Second, the term appropriately emphasizes that radically decentralized organizations necessarily operate (accomplish work) through an ongoing dynamic process rather than by building a static operating structure. In the next section we explain why each of the components of our definition of self-managing organization – (1) radical decentralization of authority, (2) a formal system and (3) being organization-wide – is important in removing the hierarchical reporting relationships between managers and subordinates.

Radical decentralization of authority

The core element of self-managing organizations is radical decentralization of the authority typically granted to managers. We define radical decentralization as the elimination of the reporting relationship between manager and subordinate. In radically shifting authority to non-managerial roles, individuals in self-managing organizations no longer report to a manager who has broad and diffuse authority to allocate work, direct execution of tasks, monitor performance, sanction or fire employees, and determine promotions or raises. Indeed the notion of “reporting to” someone who has “authority over” you becomes anathema in a self-managing organization.

In a managerial hierarchy, the authority-over dynamic comes from the nature of formal authority vested in the managerial role. Managerial authority vis-à-vis subordinates is broad and diffuse, irrevocably given from below, and vested in rank even over expertise. Because of the nature of this authority, direct reports in a managerial hierarchy manager are subject to the dictates, preferences, and whims of their “boss.” Certainly, “enlightened” managers may aim to empower their direct reports by delegating authority. Even so, the formal authority that managers hold over their subordinates remains intact because delegated authority can be taken back at any point, and often is in times of disagreement, conflict, or crisis (e.g. Foss, 2003).

Self-managing organizations avoid the authority-over dynamic by eliminating the managerial role as it exists within managerial hierarchy. Eliminating “managers” as a formal role does not mean self-managing organizations are devoid of managerial work. The work of monitoring progress towards organizational goals, allocating resources or projects, designing tasks and organizational structures, and providing feedback to individuals remain vital to effectiveness in SMOs. However, in SMOs, these authorities are formally distributed to individuals in a way that is not permanent, unbounded, or vested in hierarchical rank. The Valve Employee Handbook describes this difference well: “Valve is not averse to all organizational structure – it crops up in many forms all the time, temporarily. But problems show up when hierarchy or codified divisions of labor either haven’t been created by the group’s members or when those structures persist for long periods of time.” In self-managing organizations, authority to “manage” is distributed in a way that is either offered by revocable consent from those being managed (such as in democratic models), constrained by clear boundaries (such as at Zappos), or temporarily held (such as at Valve).

To illustrate what radical decentralization of authority looks like in practice, we examine how the three case studies of self-managing organizations described in the Introduction approach decentralization. Consider the range of domains of decision authority that can be held by managers in typical managerial hierarchies: (1) firm strategy; (2) organization and work design; (3) work and resource allocation; (4) work execution; (5) managing and monitoring work execution and (6) personnel and performance management (Hackman, 1986; Puranam, Alexy, & Reitzig, 2014). Firm strategy decisions are those that specify the overall direction and goals of the company and how the company attempts to achieve those goals. Organization and work design decisions specify the tasks that must be completed and how the organization shall be structured to complete them. Work and resource allocation decisions pertain to how financial and human resources are assigned to what parts of the organization. Work execution decisions determine how a given task or project is to be completed. Managing or monitoring execution of work involves assessing whether work is completed in a timely and satisfactory way. Finally, personnel and performance management decisions include assessing how individuals are performing in their roles, what training might be needed to improve performance, and choosing when and whom to hire and fire.

In a typical managerial hierarchy, managers have authority over nearly every one of these domains. Managers hold decision rights over performance management, managing and monitoring the work, and, in some cases, over the execution of the work itself. Managers determine work allocation and aspects of work design and strategy, though organizational design and firm strategy decisions are typically reserved for senior-level management. In contrast, non-manager employees traditionally lack formal decision authority in all areas except work execution. However, managers still may reserve the right
to overrule subordinates and direct how they should do their jobs. The ubiquity of the disparaging term micro-management provides a rough indication that managers often do exactly this.

In self-managing organizations by contrast, many of these decision rights are fully or partially decentralized — that is, granted to non-manager employees. Fig. 1 highlights how the three examples of self-managing organizations and the typical managerial hierarchy handle each decision-making domain. These are intended to illustrate how radical decentralization (or the elimination of the reporting relationship between manager and subordinate) manifests in these three cases and also how each differs from the configuration of decision rights within a managerial hierarchy.

The areas of decision authority are ordered according to those most likely to be decentralized to the least likely to be decentralized in the three empirical cases we examined. At Zappos, Morning Star and Valve, authority over work execution is fully decentralized and authority over several other domains is at least partially decentralized; for more detail see the Appendix A. We view the full decentralization of formal authority over work execution as a necessary condition for radical decentralization of authority.

What other types of decisions are decentralized, and to what extent, likely depends on the nature of the organization’s strategy and work context. Some organizations, like Valve, give all employees the ability to choose which projects they want to work on (work/resource allocation), employ a system of peer-driven employee evaluation (personnel/performance management) and allow the projects that garner the most interest from employees to determine the company game portfolio (strategy). Additionally, at Valve, temporary role structures emerge organically within each team rather than being set by a formal manager (organization/work design). Team lead roles exist as quasi-project managers but individuals filling these roles vary and thus these roles do not represent a permanent or stable source of authority (Bernstein, Gino, & Staats, 2014).

At Morning Star, authority is decentralized in multiple areas beyond autonomous work execution. Work design and resource allocation decisions are made in a decentralized manner using an annual process in which individuals commit to pieces of work critical to meeting the organization’s goals. These voluntary commitments serve as bilateral contracts that form a network of accountabilities within the organization (organization/work design) that also defines who is responsible for what (work allocation) and enables monitoring and managing of work through the bilateral contracts. Compensation is determined through a process of peer feedback with ultimate decisions made by an elected compensation committee (personnel/performance management). Work teams initiate the hiring and firing process but generally choose to get buy-in from informal leaders who are viewed to have the expertise and perspective to weigh the needs of the work group against the needs of the broader organization. Authority over firm strategy decisions is still held by the founder and CEO.

At Zappos, in addition to enjoying full autonomy to execute the work of their role(s) as they see fit, individuals make work design decisions in collaboration with members of their work groups. A formal governance process enables anybody, even the most junior members, to propose changes to the roles, accountabilities, policies and decision rights in their work group (organization/work design). Decisions are then made through group consent, with participants recognizing that they have the

![Fig. 1. Patterns of decentralized authority at self-managing organizations.](image-url)
opportunity to modify them in the future, if a work design decision proves to be problematic. Authorities over other types of decisions are not specified by the Holacracy constitution; these are left to adopting organizations to decide. At Zappos, personnel decisions, including hiring and firing, are still made by human resources leaders and senior members of the organization.

Despite such different configurations, self-managing organizations have in common the elimination of the authority-over relationship between manager and subordinate. Consider how self-managing organizations compare to popular efforts to incrementally decentralize authority, such as employee empowerment initiatives, 360-degree feedback systems, and practices, such as “20-percent time” at Google, which give employees leeway to choose their own work for part of the work week. These efforts increase employee autonomy and influence but ultimate decision authority around work execution, work allocation, work design and performance management remains vested in the hierarchical position of the manager.

Formal system

The second element of our definition of self-managing organization is a formal system that codifies how authority is decentralized in the organization through a set of explicit rules or principles. Authority is thus not delegated only via an informal arrangement between managers and their subordinates, nor through a culture that fosters or celebrates employee empowerment. A formal system can take the form of an employee handbook, as at Valve, outlining how to navigate the company, referred to as “Flatland,” with sections titled “Why do I need to pick my own projects?” and “But how do I decide which things to work on?” Similarly, the “Holacracy Constitution” outlines the rules of decentralization and is “ratified” by participating companies, such as Zappos, that adopt Holacracy as the official rule set of the organization. The constitution sets forth rules around how authority is distributed within the organization. Morning Star also codified its system by explicitly articulating a set of organizational principles by which colleagues should behave and treat each other, and a clear process for resolving conflicts between colleagues, which they called the “Gaining Agreement” process. In addition, they formalized the annual process of developing bilateral contracts or CLOUs by creating templates of what each CLOU needs to include. Consistent with its adherence to a formal system, Morning Star started the Self-Management Institute, a research and education organization, to “define, refine, and propagate the principles and tools of Self-Management.”

We distinguish formality of the rules for decentralization from formalization of work within the organization. Our point is not that SMOs must exhibit a high degree of formalization of work roles and processes. In fact, SMOs can vary greatly in the degree to which work is formalized. For example, Valve relies on comparatively less formal structure and Zappos exhibits relatively more formal structure. Rather, our point is that the rules for how authority is distributed in these new systems are made explicit in some way.

A formal system for decentralization is important because managerial hierarchy is a dominant and highly institutionalized form of organizing, and cannot easily be altered by simply declaring it absent. Substantive departures from the hierarchical form are unlikely to be sustained without formalizing alternative “rules of the game,” because of powerful cognitive and social forces that reinforce hierarchy (Gruenfeld & Tiedens, 2010; Pfeffer, 2013). Radical decentralization is therefore likely to require a formal system of rules and processes to reinforce and help institutionalize new ways of working. Formalizing may reduce the risk of reverting to hierarchical modes of operating and relating, as persistent deviation from formalized rules is more likely to trigger a crisis of legitimacy in the system. Informally delegated authority within a managerial hierarchy, on the other hand, can be reversed without fundamentally challenging the nature of the hierarchical system (Dobrjaska, Billinger, & Karim, 2015). The work done to formalize a new way of organizing is also useful in helping to communicate how the system works to new organizational members who are likely accustomed to operating in a managerial hierarchy. In sum, formalization helps maintain fidelity to the principles of decentralization in the way daily work is enacted (e.g., Adler, Goldaftas, & Levine, 1999).

By emphasizing the importance of formality in decentralizing authority, we do not mean to privilege formal rules over informal behavior or interaction. Actual behavior in a self-managing organization may fail to uphold the formal rules of decentralization. In particular, informal hierarchies may emerge that threaten or contradict the formal system of decentralization. We expect such divergences from formal rules of decentralization to occur at various points and to varying degrees in self-managing organizations; in fact, we view the dynamic process by which such rules are established, enacted, and practiced as an essential aspect of self-managing organizations. However, if divergences occur over prolonged periods of time such that the formal rules of decentralization become merely symbolic, then we contend that these particular organizations would cease to qualify as self-managing.

Lastly, while we view explicit codification of the system’s rules or principles as an important component of self-managing organizations, as more experience is gained with them, the need for codification may recede. Over time, if SMOs were to become more widespread, the principles and practices that allow them to operate successfully may become more embedded and taken for granted within the broader society, or within the institutional field of organizations. However, at present, both for socializing newcomers into a self-managing organization, as well as preventing reversion to institutionalized habits of hierarchical relating, formalization of core principles and practices is posited as a key component of radical approaches to less-hierarchical organizing.

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9 Google removed the 20% time policy in 2013 but many other companies have adopted similar policies (see Subramanian, 2013).
Organization-wide

The third component of our definition of self-managing organizations is that the decentralization of authority occurs throughout an organization. Unlike self-managed teams, decentralization in a self-managing organization is not limited to a single team, or a set of teams, nor to front line employees. The formal rules apply for everyone in the organization, from front-line employees to mid- and senior-level employees. At Zappos, for example, the formal rules governing role authority apply equally to a new employee as to senior-level executives. Similarly, at Morning Star, everyone, including the CEO enters bilateral contracts or CLOUs with other employees. Finally, at Valve, the CEO Gabe Newell has no more formal authority to determine which games are developed than does any developer in the organization.

Authority being decentralized throughout an organization does not mean authority is equalized. At Zappos, for example, formal authority is vested in roles but some individuals have roles with more responsibility and authority than others. Similarly, at Morning Star, individuals have different levels of formal accountability and authority based on their CLOUs. Also, differences in informal authority do not disappear or become irrelevant in self-managing organizations. For example, someone who had been a senior manager may retain informal influence over a domain after a conversion to Holacracy even though his new role lacks formal authority over that domain. Similarly, at Valve, the informal influence of various individuals in gaining support for specific projects may vary considerably based on their reputation, interpersonal skill, technical skill and more. In fact, former employees have remarked on the prevalence and importance of informal status hierarchies for how decisions get made at Valve (Maier, 2013).

Thus, inequities still exist in self-managing organizations, both formal and informal. However, in self-managing organizations, formal authority is allocated in consistent ways throughout the organization and in all cases, these hierarchies do not constitute a formalized authority relationship that allows one individual (a manager) to hold fiat power over the autonomy of another. In this sense, if managerial hierarchy is akin to a feudal system in which most citizens are denied property rights, self-managing organizations offer a system of property rights and due process for all employees.

Comparing prior research findings on less-hierarchical organizing with our definition of self-managing organizations

To further sharpen our definition of self-managing organizations, we examine common examples of efforts to attenuate hierarchy that do not satisfy our definition of a self-managing organization. Table 3 highlights notable examples of efforts to organize less hierarchically that do not meet at least one component of our definition.

<table>
<thead>
<tr>
<th>Category</th>
<th>Example</th>
<th>Why not an SMO</th>
<th>Part of definition not met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-bureaucratic organization</td>
<td>“Organic” forms (Burns and Stalker, 1961)</td>
<td>Hierarchical authority relations exist, i.e., managers may override subordinate decisions, even if they do so less frequently than in mechanistic organizations</td>
<td>Not radical decentralization; not a formal system</td>
</tr>
<tr>
<td></td>
<td>The “conversational firm” (Turco, 2016) — A case study of an organization that decentralizes voice rights, allowing individuals at all levels to give input into decisions, even high level strategic decisions</td>
<td>Decisions are still made hierarchically, by managers</td>
<td>Not radical decentralization</td>
</tr>
<tr>
<td></td>
<td>Cross-functional self-organizing teams with fluid authority relations (e.g. Kellogg et al., 2006)</td>
<td>Pockets of decentralized authority exist but cross-functional team members still sit within functional hierarchies</td>
<td>Not radical decentralization; Not a formal system; not organization-wide</td>
</tr>
<tr>
<td>Humanistic management</td>
<td>Self-managed teams (e.g. Hackman 1986)</td>
<td>Decentralizes authority for front line work teams</td>
<td>Not organization-wide</td>
</tr>
<tr>
<td></td>
<td>Empowerment programs (e.g. Conger &amp; Kanungo, 1988)</td>
<td>Teams situated within a managerial hierarchy at mid and upper levels</td>
<td>Not radical decentralization; not a formal system; not organization-wide</td>
</tr>
<tr>
<td></td>
<td>Results Only Work Environment (Kelly et al., 2011) — An organization-wide effort to allow individuals to choose where and when they work as long as they complete their work</td>
<td>Managers may delegate some authority to subordinates but still ultimately retain authority to over-ride subordinate decisions</td>
<td>Not radical decentralization</td>
</tr>
<tr>
<td></td>
<td>Gainsharing systems (e.g. Collins, 1985) — A system adopted in some manufacturing firms where employees are elected to committees and given the budget and authority to make production changes</td>
<td>Gives employees authority to decide when and where they work but does not extend decision authority to all facets of work execution nor other areas of decision making</td>
<td>Not radical decentralization; not organization-wide</td>
</tr>
<tr>
<td>Organizational democracy</td>
<td>Committees only have ability to decide on production related improvements within specified budgetary constraints</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other decisions made by management</td>
<td></td>
<td></td>
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</tbody>
</table>

Table 3
Examples from prior research on less-hierarchical organizations.
For example, many efforts that we would categorize as humanistic management either do not decentralize authority radically enough—such as empowerment programs (e.g., Argyris, 1998) or results only work environments (e.g., Kelly, Moen, & Tranby, 2011), or only decentralize within a certain portion of the organization, such as self-managed teams (e.g., Barker, 1993). Efforts to organize post-bureaucratically, such as those described by Turco (2016) or Kellogg et al. (2006), represent major deviations from the classic managerial hierarchy, but retain the manager-subordinate authority relationship. Gainsharing programs, once at the forefront of efforts to bring “democracy” to industrial workplaces, brought greater influence to frontline workers but did not eliminate the manager-subordinate authority relationship. In sum, only a few case studies in prior research on less-hierarchical organizing qualify as self-managing organizations based on the three criteria in our definition.

Heterogeneity of self-managing organizations

Having proposed three features to define self-managing organizations, we note that SMOs still can exhibit substantive differences in their approach to self-management. We have discussed how the patterns of decentralized authority differ across our three cases. In addition, the types and formality of the coordination mechanisms governing the organization’s work can differ. Valve, for example, represents an archetypal organic structure, using minimal formal structure outside of project teams, such that coordination primarily occurs informally via mutual adjustment within project teams. At Zappos, in contrast, the adoption of Holacracy involved formalizing roles and responsibilities with a high level of precision and comprehensiveness to enable coordination across Zappos’s thousand-plus employees. Morning Star’s bilateral contracts represented a different, equally formal, mechanism of coordination.

Related to differences in coordination mechanisms, SMOs may vary in how much authority and control emanate from impersonal sources such as rules and formal roles versus from personal sources such as status, popularity or social influence. To illustrate, Zappos sits on one end of the spectrum. Adopting Holacracy required a shift to impersonal forms of authority vested in formally-defined roles and responsibilities. On the other end of the spectrum, Valve emphasizes personal authority and control; key product decisions are largely determined by who can convince enough people to work on a given project. One former employee at Valve expressed that working at Valve “felt a lot like high school. There are popular kids that had acquired power in the company, then there’s the trouble makers, and everyone in between.” (Maier, 2013). Morning Star utilizes a mix of personal and impersonal forms of control. CLOUs function as a formal source of control. But, given its lack of titles and formal roles, informal leaders play a vital role in making critical decisions and resolving conflicts.

SMOs also differ in the degree to which they utilize team-based versus role-based structures. At Zappos, the role is the primary unit of organization. Roles are clearly defined, and come with distinct accountabilities. At Valve, the project team that forms to develop a particular game is the primary unit. Thus, while all SMOs radically decentralize authority in a systematic way throughout the organization, heterogeneity in specific practices remains. We explore the implications of these differences in the section “Contingencies in the choice of self-managing systems” below.

Implications and research directions

In this section, we return to a core premise motivating this article—that clearly distinguishing radical versus incremental approaches to less-hierarchical organizing can help shape new directions for research to advance organizational theory and practice. As discussed, disparate streams of research have explored antecedents, dynamics, and consequences of less-hierarchical organizing. In general, this work investigates or advocates models that retain managers and hierarchical reporting relationships between managers and subordinates. Defining self-managing organizations as those that formally and radically decentralize authority throughout an organization, thereby eliminating the manager-subordinate authority relationship, opens new lines of inquiry that may deepen understanding of less-hierarchical organizing and offer new possibilities for practice.

The relative paucity of self-managing organizations has implications for the types of research questions and methods that are likely to be most tractable. Argyris (2002), in studying organizational learning, argued that the phenomenon he wished to study, “double-loop learning”—in which individuals and groups are able to alter underlying values and assumptions to solve complex and ill-structured problems—was so rare that it was necessary to work with organizations to create it in order to study it. In short, the research topic necessitated the “action research” that Argyris and his colleagues vigorously pursued (Argyris & Schön, 1989). Studying self-managing organizations involves a similar challenge. At the same time, the evidence from several sources, including Laloux (2014), suggests that there is a growing number of self-managing organizations with which scholars may pursue some of the lines of research we discuss below, related to work execution, individual experience, organizational change, organizational performance, industry context, and institutional change. Simulation and computational modeling on the dynamics and limits of self-managing organizations may also yield insights that would be difficult to produce through empirical work.

Coordination and control in self-managing organizations

The first area of research suggested by our review relates to understanding how complex interdependent work can be accomplished effectively at scale in the absence of managerial authority. Relying on managerial authority alone has long been recognized as poorly suited to the task of coordinating complex interdependent work.
Individual subjective experience in self-managing organizations

A second important line of inquiry relates to individuals’ experiences in a self-managing organization. Interest is growing in how the changing nature of work affects how individuals experience work. For example, a recent special topic forum in the *Academy of Management Review* focused on the changing nature of work relationships. Given that self-managing organizations represent an extreme case of the evolution towards less-hierarchical and more networked organizational designs, understanding the experiences of individuals in self-managing organizations may yield important insights about how people experience different workplace contexts. Much practitioner rhetoric related to flattening hierarchies can be hyperbolic, promising occupational nirvana. Research on self-managed teams indicates that the reality of self-management is more complicated than the rhetoric. For example, while some research found that self-managed teams improves employee work outcomes such as engagement and satisfaction (Cohen & Bedford, 1994; Wall et al., 1986), other work suggests that peer control in self-managed teams can lead to stress and burnout over time (Barker, 1993). These issues need to be explored in self-managing organizations. Are individuals’ jobs and lives enriched by greater autonomy and a lack of subordinate status to other people? What are the potential unintended consequences of such systems on individual well-being? Do people find the challenges of self-management worthwhile especially over longer periods of time?

Existing accounts of self-managing organizations suggest that individuals vary in the degree to which they are drawn to and feel comfortable in radically decentralized organizational systems (Bernstein et al., 2016; Hamel, 2011). Understanding who thrives and who struggles in such organizations can help us understand who will benefit from these organizational shifts and who is at risk of being left behind. Research might investigate personality traits, such as proactivity or need for control, that predict satisfaction in such systems. What demographic variables, such as age, organizational level, education or gender correlate with effectiveness or satisfaction in self-managing organizations? What interventions help employees adjust to or operate more effectively in self-managing organizations?

The shift from a managerial hierarchy to a radically decentralized model profoundly affects those who hold managerial positions, and research is needed to understand how managers experience this shift. How do they make sense of this shift from the standpoint of their career progression given the elimination of a traditional corporate ladder? What adjustments must they make to operate effectively in a self-managing organization? What factors predict how well a manager adapts to the new system and learns to wield influence without formal authority? More broadly, how is leadership and influence exercised in such organizations?

Achieving and maintaining decentralization in self-managing organizations

A third issue relates to the challenges of shifting power in a significant way. Scholars have long explored the challenge of changing power relationships. Empowerment programs often fail due to mixed messages and competing business imperatives (Argyris, 1998).
Self-managed teams can lead to the resumption of informal power differentials among peers (Barker, 1993). Efforts to involve workers in decision making often plateau or become co-opted by existing power holders (Strauss, 1982). Others have argued that fundamental drives (for survival, for power, for self-enhancement) and psychological processes (the desire to be with high status members and post-hoc rationalizations that attribute positive traits to those in power) contribute to the emergence and endurance of informal and formal hierarchies (Gruenfeld & Tiedens, 2010; Pfeffer, 2013).

One implication of the psychological forces that bend human organization towards hierarchy is that effective self-management is difficult and requires a higher level of psychological development and interpersonal skill (Argyris, 1998; Kegan, 1998). Robert Kegan, an adult learning psychologist, argues that self-managing requires a stage of mental complexity that has the capacity to hold multiple concepts of power and authority simultaneously and to distinguish between the social power in an organization and “the psychological power to define who owns the work” (Kegan, 1998, p. 157). Argyris, similarly, noted the “defensive routines” that can re-emerge when trying to organize less hierarchically but pointed to the rare moments when such defensive routines can be disrupted through different values, assumptions and mindsets (1999).

The challenge of sustaining self-management creates opportunities for scholars to explore whether and how SMOs sustain formal decentralization in the face of obstacles. Also, to what extent and through what processes does authority re-concentrate even in self-managing organizations? One way to gain analytic traction on these questions would be to analyze patterns of formal decision rights compared to real or informal decision rights and explore how these patterns change over time in self-managing organizations (see Dobratska et al., 2015). We also need to better understand how individual-level factors, such as mental complexity or mindsets, enhance successful shifts in power given the well-established tendency for power to concentrate? Conversely, does the experience of practicing self-management, itself, enhance individual psychological development over time by forcing individuals to confront the complexity of self-managing?

Organizational consequences of self-managing organizations

A fourth topic concerns the consequences of self-managing organizations. While the stated rationale for adopting self-managing organizations is often to increase organizational responsiveness and improve the employee experience at work, assessing the causal impact of organizational designs is notoriously challenging (Hackman, 1986). Nonetheless, exploring how to design studies in new and creative ways to understand the consequences of these radical new forms is both possible and necessary. Scholars can utilize case studies to explore consequences at a micro qualitative level, examining the processes and mechanisms by which outcomes such as responsiveness or innovation are facilitated by decentralized authority in individual cases. Beyond individual case studies, scholars might be able to run field experiments in organizations by assigning self-management as a treatment to organizational subunits and exploring the impact of these designs on individual, team or unit-level outcomes. Alternatively, given the growth in the number of organizations adopting self-managing designs such as Holacracy, it may soon be possible to identify a sample of firms adopting Holacracy paired with a matched sample of firms operating hierarchically to be able to infer causal effects of adopting such systems.

Self-managing organizations as a case of institutional change

A fifth line of inquiry relates to the macro-level institutional implications of departing from the managerial hierarchy. Given the dominance of the managerial hierarchy in large organizations across public, private, and non-profit sectors, understanding how the growth in SMOs proceeds could shed light on how institutions change. The introduction of Holacracy gained widespread attention as one of the first fully specified self-managing designs, made available to any organization interested in adopting it, in contrast to “home grown” models. Understanding the role that this kind of full specification may play in generating adoption of self-managing designs could inform our understanding of institutional change. More broadly, what is the process by which self-managing organizations spread in the institutional field of organizations? And how are institutionalized approaches to compensation, titles, and career progression adapted to accommodate (or not) self-managing organizations?

Contingencies in the choice of self-managing systems

A sixth line of inquiry relates to the implications of the different approaches to self-managing organizations described in the section “Heterogeneity of self-managing organizations.” As noted, case studies of SMOs differ in type of coordination mechanism, source of authority, and primary unit of organization. Existing organizational theory suggests that such differences likely have implications for the types of interdependencies, knowledge demands, and scale supported by each approach. For example, organizations that rely on informal processes of mutual adjustment and team-based coordination, as exemplified by Valve, likely function most effectively in a context where intensive coordination is required within projects but not across projects (Foss & Dobratska, 2015). Other work suggests that a reliance on team-based structures comprised of specialists is the ideal structure for dynamic learning and the processing of novel information (Edmondson, 2002; Romme, 1996). At the same time, such systems rely on conversation and face-to-face interaction and are unlikely to scale to large complex organizations (Mintzberg, 1979).

In contrast, approaches that utilize highly formalized mechanisms of coordination and individual-role based
structures, as typified by Zappos’s system, may better accommodate complex interdependencies across functional units and scale more easily than organic, team-based structures (Weber, 1946; Mintzberg, 1979). Prior research on formalization offers differing predictions as to the level of dynamism supported by role formalization. Most research finds that greater formalization leads to formalism and rigidity (Davis, Eisenhardt, & Bingham, 2009; Merton, 1940; Volberda, 1996), but some studies suggest that formalization can accommodate and even foster flexibility (Adler et al., 1999; Bigley & Roberts, 2001). The governance process embedded in Holacracy, which serves as a meta-routine to change formal structure, provides at least moderate flexibility, but how this compares to the flexibility afforded by Valve’s organic approach remains an open question.

Table 4 highlights key differences between the approaches to self-management exhibited in three case studies, alongside the differences in the organizational context. Future research should further explore and refine our understanding of the different approaches to self-managing organizations as well as the contingent relationship between the system design and the nature of the work and organizational context.

**Conclusion**

A growing number of organizations are seeking ways to organize less hierarchically in the hopes of becoming more innovative, nimble, and enriching places to work. A select few are not content to simply experiment within the contours of the managerial hierarchy, but aim instead to radically depart from it. The time is ripe for renewed and focused research and theory to better understand and guide these efforts. Despite the varied streams of organizational research that relate to the theme of less-hierarchical organizing – from both macro and micro perspectives – none adequately captures the distinction between radical and incremental approaches. We hope that by more clearly delineating a specific and extreme class of efforts to organize less hierarchically, we can encourage and guide future research on this important phenomenon.

As organizational scholars, we are trained to look at the world dispassionately. Yet, our research is also guided by a belief that we can generate practical and positive value in the world. Studying whether and how organizations can be designed to be more empowering and effective places for work is of great interest to many organizational scholars. After all, we too – not just those we study – spend a great portion of our waking lives in organizations. Furthermore, since self-managing organizations represent organizing at the boundaries, studying such efforts allows us to understand the limits of less-hierarchical organizing, and holds the promise of revealing something more fundamental about human nature. We hope this article will encourage organizational scholars to heed this call.
### Appendix A. Decentralized authority by decision area at self-managing organizations

<table>
<thead>
<tr>
<th>Area of decision-authority</th>
<th>Managerial hierarchy</th>
<th>Select cases of self-managing organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Work execution</strong>&lt;br&gt;e.g. How a software feature should be coded or a sales target met</td>
<td>Partly decentralized. Employees vary in leeway given and managers hold ultimate authority</td>
<td>• Fully decentralized at Zappos, Valve and Morning Star</td>
</tr>
<tr>
<td><strong>Monitoring/manaing work</strong>&lt;br&gt;e.g. when work needs to be completed and to what level of quality</td>
<td>Held by managers</td>
<td>• Partly decentralized at Zappos. Lead link role is responsible for work of the entire group including developing metrics, but individual role holders and peers are also to monitor each other’s work&lt;br&gt;• Fully decentralized at Morning Star. Responsibility for monitoring/managing the work is done by each individual and his/her peers. This monitoring is aided by setting clear measurable targets for each individual and making progress towards targets transparent&lt;br&gt;• Fully decentralized at Valve. Responsibility for monitoring/manaing the work is done by each self-organizing project team</td>
</tr>
<tr>
<td><strong>Work/resource allocation</strong>&lt;br&gt;e.g. deciding who holds what roles and who is to work on which projects, as well as deciding how budget is allocated to various groups and individuals</td>
<td>Held by managers</td>
<td>• Partly decentralized at Zappos. Work/resource allocation decisions are made by a lead link role but individuals can resign or turn down a role at any time&lt;br&gt;• Partly decentralized at Morning Star. Individuals voluntarily enter into bilateral contracts but do so within the bounds of existing expectations of what individuals will do&lt;br&gt;• Fully decentralized at Valve. Individuals choose the games on which they want to work</td>
</tr>
<tr>
<td><strong>Organization/work design</strong>&lt;br&gt;e.g. determining how the organization should be structured (e.g. functional vs. divisional vs. matrix), defining the responsibilities or charters of various work groups, and defining individual roles and responsibilities</td>
<td>Workgroup design decision authority held by managers. Organization design decision authority typically held by senior executives</td>
<td>• Fully decentralized at Zappos. Individuals can propose any change to work or organization design and all changes must gain the consent of the relevant workgroup&lt;br&gt;• Partly decentralized at Morning Star. Work design decisions are made through the process of negotiating bilateral contracts. Some broader organization design decisions are made by the CEO&lt;br&gt;• Fully decentralized at Valve. Work and organization design is built around self-organizing project teams. Within teams, roles are fluid and determined by consensus&lt;br&gt;• Not decentralized at Zappos. Compensation set by an HR specialist group based on peer and Lead Link feedback. Performance evaluation process is set by each functional area, but typically held by quasi-manager role. Hiring and firing are not decentralized&lt;br&gt;• Partly decentralized at Morning Star. Feedback is given to each employee by CLOU partners. Compensation is set by a locally elected compensation committee. Hiring and firing decisions are driven by workgroups but generally after consulting with influential leaders&lt;br&gt;• Partly decentralized at Valve. Individuals are assessed by peers. Hiring and firing decisions are ultimately made by the CEO</td>
</tr>
<tr>
<td><strong>Personnel/performance management</strong>&lt;br&gt;e.g. assessing how well individuals are performing in their roles, what training might be needed to improve performance, whom to promote, and whom to hire and fire</td>
<td>Held by managers and HR specialists</td>
<td>• Not decentralized at Zappos. Set by the CEO&lt;br&gt;• Not decentralized at Morning Star. Set by the CEO&lt;br&gt;• Partly decentralized at Valve. Individuals are assessed by peers. Hiring and firing decisions are ultimately made by the CEO</td>
</tr>
<tr>
<td><strong>Firm strategy</strong>&lt;br&gt;e.g. setting annual goals, choosing between acquiring versus building new products or capabilities, and determining new market entry or market growth plans</td>
<td>Strategy decision authority held by senior executives</td>
<td>• Not decentralized at Zappos. Set by the CEO&lt;br&gt;• Not decentralized at Morning Star. Set by the CEO&lt;br&gt;• Partly decentralized at Valve. Company-wide strategy is a product of many bottom-up decisions around about which games to build. Occasional firm-wide strategy decisions, such as deciding whether to enter new markets, are made by executives</td>
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Maier, Merton, Langfred, McGregor, Kirkman, Hinings, Kelly, Gittell, 


Further reading


