

# Decision Making in Self-Managing Organisations and its Implications on Conflict Management



PRO6 managers

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## Preface

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## Acknowledgement

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## Executive Summary

Self-management has been around for quite some time, but over the last decade has increasingly gained popularity in the shape of self-managing organisations. Companies that adopt this structure abandon hierarchy and the traditional pyramid shaped organisational chart, and replace it with individual autonomy, and an organisational chart that consists of circles. This raises some questions that have not been answered in the literature on decision making and organisational design, such as how these organisations make decisions without an internal decision making hierarchy, and what effect this has on conflict. Many studies show the importance of decision making on the performance of an organisation, and the influence of conflict on the quality of decisions. Therefore, the purpose of this study is to give an answer to the question what the decision making process of self-managing organisations looks like, and what effects it has on conflict within the organisation. The set-up of a multiple case study enables me to conduct an inductive research at three self-managing organisations and present findings that can be interpreted in their context, and are well generalisable. This study identifies nine 2<sup>nd</sup> order themes, which are combined in three aggregated dimensions related to the research question, namely the process of decision making, the meeting structure, and authority. This study adds to literature by giving an objective account of the decision making within three self-managing organisations, which culminates in twelve testable propositions. Five propositions are combined with findings from literature and put into a conceptual model that is ready for future testing. Furthermore, several practices are identified that lower conflict and increase trust within organisations. These findings can help organisations that struggle with conflict identify, which practices to implement in order to reduce conflict.

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## List of Abbreviations

IDM	Integrative Decision making process
HoD	Home of Data
TMT	Top Management Team

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## 1. Introduction

In the western world we pride ourselves on living in free and democratic societies, where rule-of-law is king, governments are ruled by the separation of powers, and internal checks-and-balances prevent the system from going corrupt. Over two and a half millennia have passed since the Athenians first instituted their democracy, and the system has gone through much development since then. In those 2500 years countries have adopted and adapted democracy, it has grown and developed in time and is continuously refined to what it is today.

Many public administration systems adhere to the subsidiarity principle, which ensures that decisions are taken at the lowest institutional level possible. So, if a decision can be made by the local city council, the national government should not interfere. The European Union has the same principle captured in article 5 of the Treaty on European Union, which entails that the European Union will not act unless necessary and under constant checks to make sure there is no better alternative available for action at a lower level (Council of the European Union, 2007). States' rights in the United States Constitution are meant to protect the autonomy of the states against interference from the federal government, and therefore have a similar impact on the division of decision making power between levels of the governmental organisation as the subsidiarity principle (U.S. Const., amend X, 1791).

Businesses on the other hand, seem to ignore the lessons that were learnt in governments and to allow most things that we have so duly barred from our administrative systems. Most companies are run like countries with a dictatorial regime, in which one autocratic leader, or a senior management team with a CEO as *primus inter pares*, has most of the decision making power and stands atop of a pyramid.

Most of the decisions on important aspects of the organisation such as the division of labour, and the integration of effort, are traditionally taken on the basis of authority (March & Simon, 1958). This started to change in the 1970s and 1980s when self-managing teams gained popularity across the world in different forms, but the question remained; why stop there? Albeit on a smaller scale, scholars and practitioners have been applying the same principles for self-management to entire organisations (Bernstein, Bunch, Canner, & Lee, 2016).

## 1.1 Self-Managing Organisations

### 1.1.1 A Historical Perspective

Over half a century ago, Burns and Stalker (1961) developed the mechanistic-organic continuum for patterns of organisational design. Companies that followed the characteristics of an organic structure, had to deal with conditions of relative instability and were characterised by a complex task design. Further characterisations were that tasks are continually re-defined and that the leader was no longer assumed to be omniscient, but the organic organisational design did still depend on authority.

Mintzberg (1979) coined the term Adhocracy for the type of organisation that was designed around innovation and avoided any standardisation. Mutual adjustment was the prime coordination mechanism, and the amount of autonomy given to employees in their tasks, was conforming to prescriptions of “enhancing employee quality of working life” in the early eighties (Griffin, 1982, p. 139).

By implementing an organisational system without any managerial positions, current self-managing organisations do not only give more autonomy to employees within the system, but reject the thought of having a hierarchical organisation all together.

### 1.1.2 Modern-Day Self-Managing Theory

Isaac Getz was one of the first academic scholars to theorise the concept of self-management on an organisational level, studying several successful cases of self-managing organisations (Carney & Getz, 2009). Getz does not draw out a roadmap that companies should follow to become self-managing, but identifies three principles needed to liberate an organisation: intrinsic equality, personal growth, and self-autonomy. Hamel (2007) describes management as an important invention, but obsolete in this world of fast-paced technological changes and creative service economy. He complemented his prior work by framing paths that companies should follow, including the emergence of a natural hierarchy to replace a traditional organisational pyramid, and trust structures to replace the command-and-control system (Hamel, 2009).

Laloux (2014) identifies different structures in human societies in which people organise. In our modern-day, we have both organisations that are merit-based, achievement-orange, and organisations that are consensus-based, pluralistic-green. He proposes a mix of these two archetypes, so-called Teal organisations. Pluralistic-green organisations nurture inclusion and commitment, but do not scale up as there is too much inefficiency, especially in the decision

making process. Laloux (2014) sees consent-based decision making and distributed authority as the solution to this issue.

### 1.1.3 Holacracy

Brian Robertson introduced Holacracy™<sup>1</sup> in 2007, after having developed the system in his own software company by trial and error in the years before (Robertson, 2007). Holacracy's very systematic approach, and software that makes it possible to keep track of responsibilities, sets it apart from many other self-management philosophies. The goal is also different within Holacracy, it seeks to improve the traditional structure of the decision making process and an organisation's efficiency (Robertson, 2015b), whereas Laloux, Getz and Hamel look at job-fulfilment and emotional engagement of employees (Carney & Getz, 2009; Hamel, 2009; Laloux, 2014). Robertson on the other hand, thinks that this is important, but will follow automatically when the structure is in place and rules are being followed (Robertson, 2007, 2015a). Its focus on improving the decision making process makes it an interesting case to study, whether the process indeed can be more efficient, by removing authority from the organisational design. However, theoretical knowledge on the functioning of such self-managing organisations is still very scattered, and much of what is written is based on so-called buzzwords (Bernstein et al., 2016)

### 1.1.4 Self-management in practice

Despite the lack of scientific research on the topic, many business leaders have adopted Holacracy to structure their companies, or comparable systems that can be adopted for part of the organisation.<sup>2</sup> The system has received much praise, but not everyone is a fan. Within Holacracy, a so-called lead link in a circle has the authority to allocate tasks and coordinate the workflow of the circle, but is not allowed to tell the others in the circle how to handle their workflow. In a company such as Zappos, an American online retailer with approximately 1,500 employees, many former managers are now lead links, and people question whether they do not still hold the power to influence their employees' work (Groth, 2015). Moreover, according to some, human dynamics would make it impossible for people to stay motivated when there

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<sup>1</sup> Holacracy is a registered trademark of Holacracy One, L.L.C. of Spring City, PA, USA

<sup>2</sup> Adoption of Holacracy can only be done when the CEO signs the constitution (Robertson, 2013) and completely relinquishes all power into the system. If organisations choose to only adopt the system to a certain part of the organisation, the trademark name cannot be used. Other names, such as FOLT (KPN) and Spark (Bol.com) are used instead.

is no possibility to climb up the ranks, and staff would walk out when they lose their hard-won job title (Monarth, 2014). Bernstein et al. (2016) make a case for the contingent use of Holacracy: only those organisations, or parts of organisations that have a high need of adaptability should implement the system. When reliability is key, the traditional management structure should stay in place.

This November, Hamel and Zanini (2018) published a case study in the Harvard Business Review about the Chinese appliance maker Haier, the biggest of its sort in the world, with 75,000 employees around the world, who created their own organisational design based on practices they call *RenDanHeYi* that focuses on self-management and autonomy, abandoning the formal hierarchy on an organisational level, and moving towards “microenterprises” that function with minimal coordination. This is a special case, since most of the self-managing organisations’ core businesses revolve around creative services, not manufacturing. Following Bernstein and colleagues’ (2016) logic, self-management should not work for an organisation that is in the manufacturing business, as it would be depending on the reliability of processes.

## 1.2 Problem Statement

Whether the critics are right about the worth of self-management, only time and research can tell. Large uncertainty exists about the use of self-management on an organisational level, especially when it comes to how the organisational design without authority functions. Robertson (2007, 2015a) makes strong claims about the way the system supposedly works, but empirical evidence needs to be provided before these claims can acquire any credibility. As will be discussed in the chapter 2 literature review, an organisation’s design traditionally revolves around decision making hierarchy and authority (March & Simon, 1958). Without any research, it is unclear how decisions in an organisation are made when the decision making hierarchy is taken away. Strain on the decision making process or in the organisational design can have grave results, ultimately leading to worse business performance (Sharfman & Dean Jr., 1996). Decisions can be both operational and strategic, and when the decision making process is hampered, organisations get stuck in their operations, and eventually will be outperformed by their competition.

A direct consequence of decision making issues frequently discussed in literature is conflict, which is tightly related to the decision making process (Amason, 1996). It is therefore paramount that more information is uncovered about the working of this novel form of organising. This brings me to the following research question:

**“How are decisions made in self-managing organisations, and how does this effect conflict within the organisation?”**

### 1.3 Motivation

This study gives a new theoretical perspective on the decision making process of self-managing organisations and how the decision making is influenced by authority and the organisations’ meeting structure. It provides clear insights into which practices reduce or increase conflict and how organisations practically function compared to how it is described in theory. These insights are useful for organisations that have implemented self-management, or are contemplating it. Organisations that have high or low levels of conflict can consider adopting parts of the self-management organisational design and decision making, based on this research. The results show that contrary to claims made by self-management books, hierarchy still plays a role in self-managing organisations, albeit not necessarily formal hierarchy. The research also gives support to prior research, this study shows that interpersonal trust plays a key role within decision making and how it relates to conflict. Additionally it puts a new finding forward that trust plays a decisive role in the method of decision making.

## 2. Literature Review

### 2.1 Organisational Design

Different perspectives can be taken on organisations where, Scott (2003), for instance, distinguishes the rational, the natural, and the open system perspectives. However, most scholars agree that organisations are “Social structures created by individuals to support the collaborative pursuit of specified goals” (Scott, 2003: p.11). The new types of organisations have created doubt amongst scholars whether or not the old organisational theory still holds true. In light of that, a study was conducted to look into the factors that need to exist in order to have an organisation (Puranam, Alexy, & Reitzig, 2014). This study shows that every organisation employing people needs to come up with an answer to four core problems of organising; task division and task allocation, together the division of labour, and reward provision and information provision, together the allocation of effort (Burton & Obel, 1984; March & Simon, 1958; Mintzberg, 1979)

Organisations need to have some type of structure or process in place that solve these four problems in order to be recognised as a form organising. In order for an organisation to be considered novel, it is asserted that it has a different solution to one or more of these fundamental problems, compared to what is common in its industry (Puranam et al., 2014). In Appendix A an assessment of the approach that each of the cases in this research have taken towards the four issues is given. First, we are going to look closer at what is behind these four problems, and what consequences are linked to them.

#### 2.1.1 Division of labour

The work that needs to be done can be divided into tasks along two dimensions, divisibility & repetitiveness. A task with high divisibility for instance, requires low coordination with other tasks. High repetitiveness creates advantages due to specialisation (Burton, Obel, & DeSanctis, 2011). An organisation can divide and allocate tasks based on different philosophies, minimising interdependencies, or maximising task specialisation, but it always needs to take information systems into account when designing the task system, as these are highly related to each other (Burton et al., 2011; March & Simon, 1958).

The way a task is designed, has great influence on employee motivation and satisfaction, which was first modelled into a comprehensive framework by Hackman and Oldham, of which an overview is given in Figure 1 (Hackman & Oldham, 1976, 1980). When a job is designed in a way that people have variety of activities, that together form a piece of identifiable work

and have an impact on the life or work of other people, employees experience a higher level of meaningfulness in their jobs. When people have substantial freedom in the way they carry out their job, this autonomy ensures that employees feel a higher level of responsibility in their job. Lastly, if employees get clear information about the effectiveness of their performance, their understanding of their performance increases. Altogether this leads to higher employee motivation and higher work performance. These relations are strengthened in case the employee has a high need for growth (Hackman & Oldham, 1976; Griffin 1982).

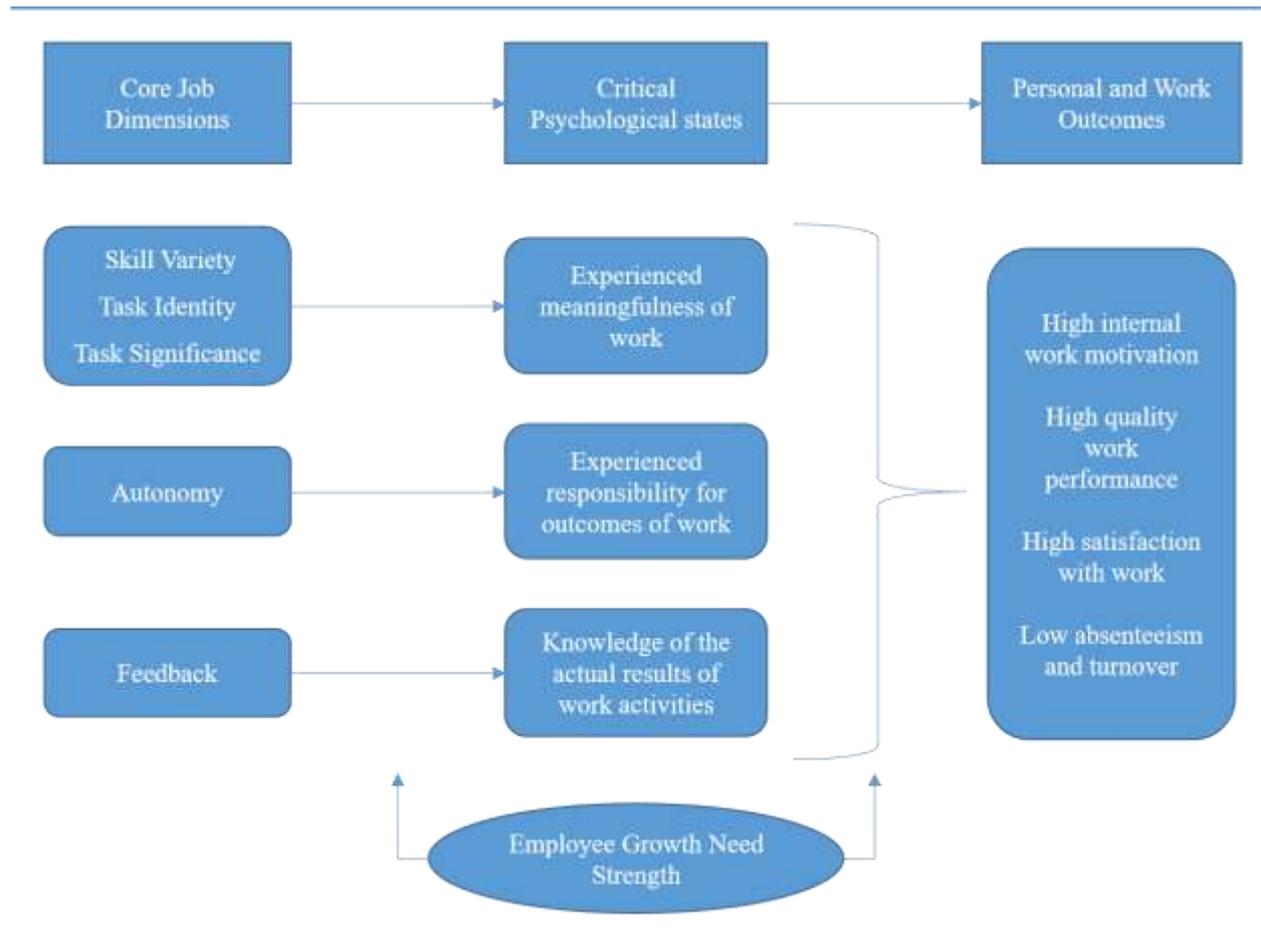


Figure 1: The Job Characteristics Theory. Source: Hackman & Oldham (1976, p. 256)

Traditionally, creating formal roles and recruiting employees into them is how organisations match tasks to individuals' skill sets. Both dividing the work up into tasks and allocating the work to employees in an organisation is done by a person who has the formal authority to do so, and are an essential part of employment contracts which shapes the boundaries of a firm (Simon, 1951).

### 2.1.2 Allocation of effort

The provision of information is needed for employees to coordinate their actions and to perform their jobs based on the necessary information. Information systems provide the data necessary for coordination and control systems to function (Burton et al., 2011). One way of solving this problem is by enriching these information system, or increasing communication between employees through meetings or electronic communication (March & Simon, 1958). Another way is to reduce the need for information, by implementing standardisation or directives (Burton et al., 2011).

The provision of rewards is needed to motivate employees to cooperate and induce them to contribute to the task of the organisation (Simon, 1951). Within traditional organisations, authority is needed to provide appropriate incentives to the employees for them to execute the allocated tasks, facilitate information coordination amongst employees, and handle conflict resolution (Burton et al., 2011; March & Simon, 1958; Scott, 2003). These incentives do not need to be financial, praise, acceptance, belongingness and recognition of self-worth can also be seen as incentives that achieve job satisfaction and employee motivation (Burton et al., 2011). Lewis (1997) showed the importance of perception in pay parity, both in- and outside of the organisation. When organisations design an incentive system, two spectra should be taken into account, the target of incentives, ranging from individual to group, and the basis of evaluation, with behaviour on one side of the spectrum, and results on the other (Burton et al., 2011). This affects the behaviour of employees, and depending on what target and basis of evaluation is chosen, employees can for instance be incentivised to work together, or to take risks (Burton & Obel, 1988).

## 2.2 Organisational Decision Making & Hierarchy

A traditional hierarchy is a vertical power structure that divides different amounts of influence and power amongst positions (Magee & Galinsky, 2008). Formal power is determined by the organisational design. Powers to incentivise or sanction are given to a position, regardless of the person filling that position (Scott, 2003).

When Robertson (2007, 2015) talks about eliminating hierarchy completely from the organisation, it becomes apparent he means the power to make decisions, which is predominantly concentrated at the top layer of a traditional company. From an organisational perspective, hierarchy still exists, even in a holacratic structure. Systems are composed of sub-structures, just like a book is composed of several chapters and sub-chapters (Scott, 2003). A

holacratic organisation consists of circles and within those circles are other circles, and hence still has a hierarchical organisational design. For the purpose of this thesis, hierarchy is viewed in the context of decision making.

So why would getting rid of hierarchy improve the innovativeness of the organisation? Robertson (2015) admires the creativity that humans possess, and that people can always see room for improvement when there is tension. This tension is the common thread running through the theory of Holacracy, and is defined as: “The perception of a specific gap between current reality and a sensed potential” (Robertson, 2015; p.6). In Robertson’s view, employees are perfectly capable of making these decisions and implementing improvements, but if there is a manager that has to approve all these decisions, who manages a large group of employees, they cannot be as well aware of all situations as his employees are. This stifles human creativity and therefore organisational innovation. Instead of the traditional predict-and-control method, organisational control is all about attuning to a purpose and “involves steering continuously in a state of flow with whatever is arising” (Rud, 2009, p. 206). The novel aspect of Holacracy is, therefore, that the unequal distribution of power is taken out of the organisation, and instead everyone receives the power to make decisions within their own area of responsibilities.

### 2.2.1 Social Hierarchy

Holacracy is a counterintuitive system, because humans are conditioned to function in hierarchies, and this is mostly what people feel comfortable in. Even though the official hierarchy gets banned in Holacracy, that does not mean that informal hierarchies that have always been in place disappear as well. Social studies show that hierarchy is self-reinforcing based on different traits, such as status, and power (Magee & Galinsky, 2008). On a more abstract level, hierarchy can be seen as one of two social dimensions in which human beings operate: a horizontal dimension indicating interpersonal closeness or distance, and a vertical dimension indicating positions above or below one another in hierarchy (Srivastava & Anderson, 2009). Individuals primarily conform to sources of power in order to keep their social standing in a group (Scott, 2003).

### 2.2.2 Power Structures in Organisations

In line with this, research about top management teams shows that it is better for the long-term success of an organisation to not rely solely on a CEO, but on the combined capacity of the Top Management Team (TMT) (Carpenter, Geletkanycz, & Sanders, 2004). Decision making in organisations has traditionally been regarded as purposeful and based on well

thought through strategies (March & Simon, 1958; Mintzberg, 1979; Pfeffer, 1978). However, the Upper Echelon theory shows that the strategic choices made by a firm are influenced by the psychological and demographical characteristics of its TMT (Hambrick & Mason, 1984). Under the conditions of bounded rationality, strategic decisions are affected through executives' limited field of vision, selective perception, interpretation of the facts, and managerial perceptions. On top of that, decision makers can eliminate options purely based on their own personal values (Hambrick & Mason, 1984). This added to the research of Pfeffer & Salancik (1974), who looked at power bases in a university, and made the discovery that the amount of resources that are allocated to a department is tied to the representation of that department in top level university committees.

## 2.3 Conflict Management

Thomas (1976) defined conflict as: 'the process which begins when one party perceives that another has frustrated, or is about to frustrate, some concern of his' (p. 891). This process aspect to conflict is part of a larger, structural model on the system of parameters that shape the conflict process. These parameters can be classified into four themes, namely behavioural predispositions, social pressures, incentive structures, and rules and procedures (Thomas, 1992). The first two see to characteristics of the parties involved in the conflict, the latter two are characteristics of the surrounding context or organisation, and captures the forces that are exerted on the parties involved in conflict from an organisational perspective, balancing out the models put forth by social scientists.

Scholars have explored conflict on 5 distinct levels: personal, interpersonal, intergroup, interorganisational, and international (Deutsch, 1990). By removing hierarchy from an organisation, conflict management requires a different approach on two of these levels. I will therefore focus on conflict at the interpersonal and intergroup level, in this research. In other words, this research looks at conflict within and between organisational teams or departments.

### 2.3.1 Interpersonal Conflict

#### Conflict as a Multidimensional Construct

Conflicts in the past were regarded harmful per se, but can actually bring an organisation forward when it involves task-related conflict (Pondy, 1967), as it fosters an increase in the level of distributed information and understanding, unlike emotional conflict (Amason, 1996; Pelled, Eisenhardt, & Xin, 1999). High performing teams show low emotional conflict

throughout the decision making process, but increasing levels of task-related conflict in time from the beginning of the process to the end (Jehn & Mannix, 2001).

In terms of diversity, task-related conflicts are driven by differences in functional background, whereas emotional conflict is driven by differences in racial background and tenure. Notwithstanding the difference in construct, evidence indicates that task conflict can lead to emotional conflict if not managed properly (Eisenhardt, Kahwajy, & Bourgeois, 1997b; Pelled et al., 1999).

### Conflict Handling Modes

Five different conflict management approaches can be distinguished, that categorise the different types of orientations parties can adopt in a conflict process. The conflict-handling modes are classified along two dimensions, assertiveness and cooperativeness, as shown in Figure 2. These dimensions are important to distinguish between the intentions parties have, respectively satisfying their own needs and concerns or others' (Thomas, 1976, 1992).

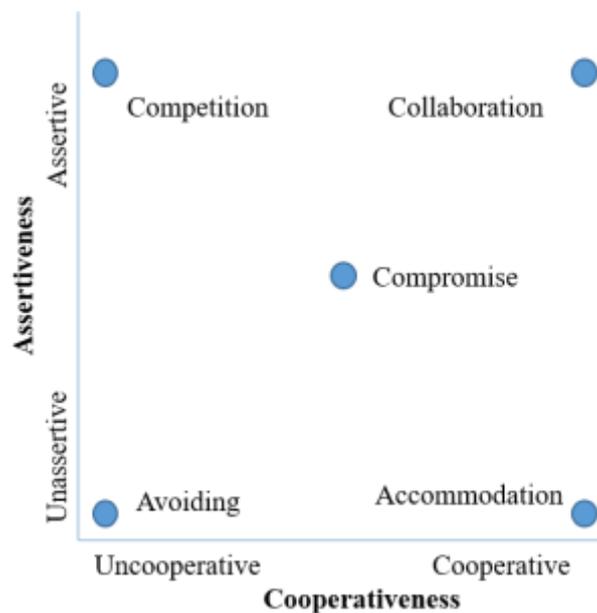


Figure 2: Thomas' Conflict Handling Modes. Source: Thomas (1992, p.266).

### 2.3.2 Top Management Teams

Top Management Teams (TMT) are a distinct topic within the literature of decision making process and conflict management for two apparent reasons. The topics dealt with by TMT are often strategic decisions of importance to the firm related to its environment, containing high levels of ambiguity and uncertainty (Lyles, 1981), which means there is a higher level of conflict likely (Eisenhardt, 1990). The second reason is that when the team cannot make a

decision collectively, there is no one up the hierarchy that can resolve the conflict, as the team itself is at the top of the organisation, which means the importance of reaching consensus is higher than in normal teams within the organisation (Amason, 1996).

Similar to the broader conflict literature body, conflict in TMT shows positive outcomes when it is task-related, but negative outcomes on teams when it is emotional or interpersonal conflict (Amason, Thompson, Hochwarter, & Harrison, 1995; Eisenhardt, Kahwajy, & Bourgeois, 1997a). Intragroup trust is a key to attaining the benefits of task conflict, without suffering from the consequences of emotional conflict (T. L. Simons & Peterson, 2000). TMT diversity does not have a significant direct impact on firm's financial performance, but the diversity enriches the debate that leads to decision making, and therefore the moderated diversity effects can significantly increase company performance. This diversity is especially useful when it is job-related, such as company tenure or education level (T. Simons, Hope Pelled, & Smith, 1999). These effects become even stronger when the proportion of TMT members that have their offices in the same location increases (Cannella, Park, & Lee, 2008).

### 2.3.3 Intergroup Conflict

Intergroup conflict can arise from several factors when groups or departments enter into joint decision making, of which two are critical: resource allocation and scheduling (March & Simon, 1958). The first gets more important, the greater the mutual dependence is on the resources. The latter is more important when teams or departments have a large interdependence of timing of activities. Positively interdependent group interests facilitate cooperation, whereas contrasting group interests in obtaining scarce resources can develop through competition into social conflict. This competition, does however stimulate intragroup cohesiveness and cooperation, heightening the social identification with the in-group (Tajfel & Turner, 1979).

### 3. Methodology

The introduction chapter distinguished the research question that this thesis tries to answer: “How are decisions made in self-managing organisations, and how does this effect conflict within the organisation?” This research question consists of two distinctive parts, (1) a descriptive question about the decision making process, and (2) an exploratory question about the relationship of decision making with conflict. In this methodology chapter, the methodology that is employed for this research is described, and the link to the research issue at hand is created, so that it provides assurance that the chosen methodology is appropriate for the research question laid out above.

#### 3.1 Research Design

The objective of the study is to give an accurate and in-depth review of the phenomenon of self-managing organisations, on which conclusions can be drawn and further theorising can be done (Saunders, Lewis, & Thornhill, 2008). Figure 3 shows the research trajectory.

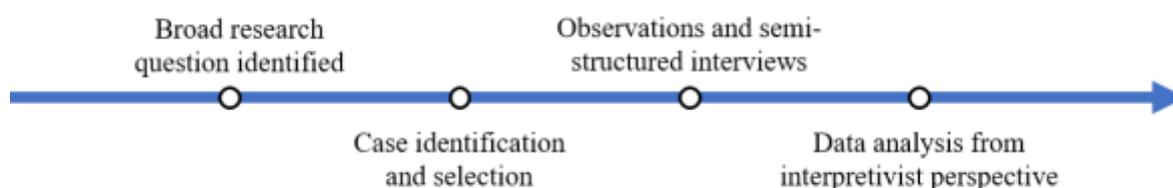


Figure 3: Research trajectory

##### 3.1.1 Inductive Research strategy

Both quantitative as well as qualitative research methods could have been employed to investigate the phenomenon of self-managing organisations, however, a qualitative research method was deemed a better fit for this particular research. Most importantly, because the phenomenon cannot be seen outside of its contextual conditions, as they are relevant in the way the results are interpreted (Yin, 2009). As opposed to qualitative research, quantitative research does not look at the reality as socially constructed, with cultural meanings attached to it (Silverman, 2011). The method of qualitative research is sensitive to the contextual conditions, trying to achieve a holistic understanding of the phenomenon that is being investigated (Eriksson & Kovalainen, 2015). Self-managing organisations are a complexity of levels and ties that transcend the boundaries of a single research field, and cannot be captured in a simplistic research design, without losing a wealth of information and insights.

Case study research creates room for diversity and complexity (Eriksson & Kovalainen, 2015) and can address complex issues which are difficult to study with quantitative methods

(Ghauri & Gronhaug, 2010). Eisenhardt (1989a) promotes the idea of a case study as a set-up for theory building. As there is yet to be a comprehensive theory on self-managing organisations, this fits the aims of this research very well. For theory building, it is important to have rich data to provide a strong base, which a single case study could certainly generate. However, a multiple case study provides data that is better grounded and more easily generalisable, therefore making it better suited for theory building (Eisenhardt & Graebner, 2007; Yin, 2009). The goal of this research is to create propositions that are firmly supported by the data gathered from the cases, which is the start of grounded theory building within the field of organisational design and conflict management theory. This makes it an inductive study, working from data to theory (Gehman et al., 2018).

## 3.2 Data collection

### 3.2.1 Case selection

The sampling of the cases was done, bearing in mind both the academic value of the cases, but also the feasibility of cases in terms of practical limitations inherent to a master thesis. As a minimum selection criterion, the cases had to be well-established in their efforts of building up a self-managing organisation. Then, the cases were selected through maximum-variation case sampling. This entails that cases had to be meaningful separately, but by adding them up, incremental value would be added to the findings (Eisenhardt, 1989a). The organisations differ in many aspects, such as size and industry. Therefore, the patterns that emerge are likely to be of value and representable (Saunders et al., 2008), which makes this sampling method very powerful. Lastly, the data collection of the cases had to be feasible, which means I had to be able to build up a relationship and gain sufficient access to the organisation within the available time frame. In light of this, it was also decided to focus the cases on specific teams, but every case included an interview with someone who was not (primarily) a member of the team. Some key facts about the teams and team-members can be found in Table 1.

*Table 1: Statistical overview of teams*

<i>Category</i>	<b>KPN Technium</b>	<b>PRO6 Managers</b>	<b>Viisi</b>
Organisation size	500	23	40
Team size	6	23	5
Gender Ratio	4M-2F	14M-9F	3M-2F
Youngest TM	30	25	28
Average age	35	41,3	32,2
Oldest TM	38	66	39
Nationalities TM	1 Egyptian, 1 Portuguese, 2 Dutch, 2 Indian	22 Dutch, 1 Moroccan	5 Dutch

## KPN Technium

KPN is a publicly listed Dutch company, currently operating in the Telecom industry. The company was founded mid-19<sup>th</sup> century as a government-owned organisation and remained government-owned until the privatization in 1989. After having lost the monopoly rights on the Dutch telephone network in 2005, KPN has faced challenges with increased international competition, and fast technological advancement. KPN could be considered a so-called scale-down, and is reducing in size by selling-off parts of the company as well as through forced redundancies. In 2014 its annual report showed 18.471 FTE's end of year, by 2017 this was down to 13.021 FTE's end of year. At the same time, it needs to stay ahead of the competition in terms of technical solutions and innovations. The IT innovation department, KPN Technium, started working Agile with self-managing teams three years back. At the same time, parts of the department are organically transforming into self-managing structures, taking on a system similar to Holacracy, called FOLT (Fluid Organization Liquid Teams). This is an experiment and could be discontinued if the transformation does not prove worthwhile. Teams can opt-in voluntarily to the structure. The research focuses on the department Home of Data (HoD), of which the structure is depicted in Figure 4. HoD is a part of KPN Technium, and the structure only contains the teams that have opted-in on the FOLT structure. The figure shows only circles, without roles. The team that was involved in this research is in the BIOS Customer Journey circle.

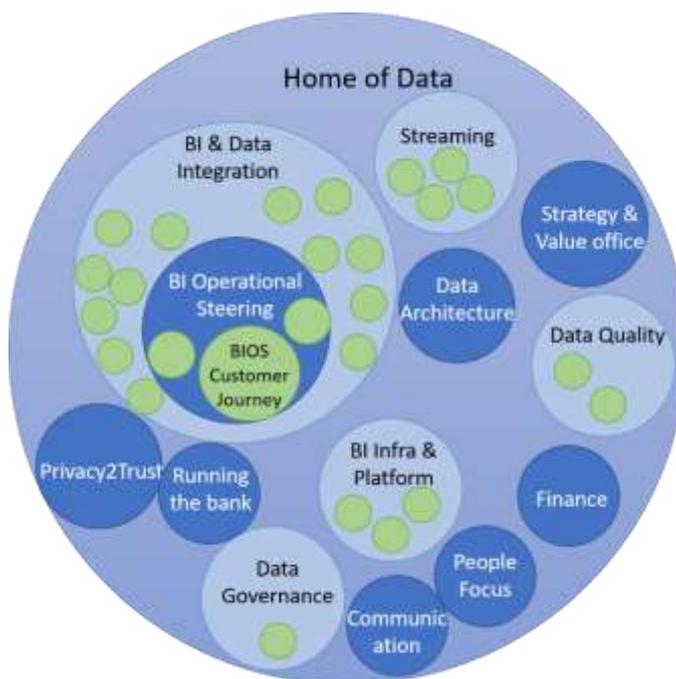
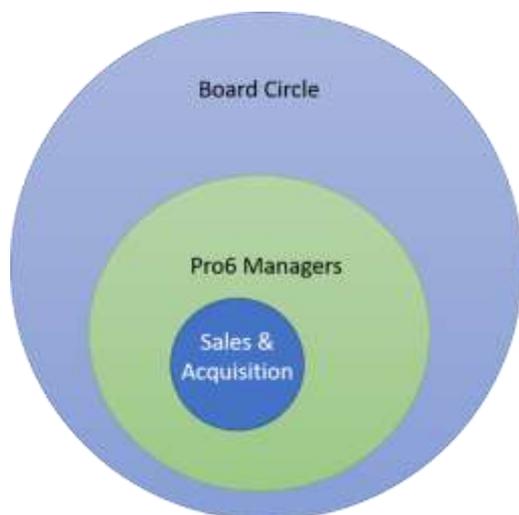


Figure 4: KPN HoD Circle Structure. Adapted from Glassfrog

### PRO6 Managers

PRO6 Managers is a project management and consultancy organisation, active in the construction industry since 2007. Their purpose is: “Samen beter bouwen”, which translates to: “Building better together”. The organisation currently exists of 23 employees, of which 4 are partners, 17 are project managers, and 2 are support staff, but it is expanding rapidly. The project managers work on site 4 days a week, often at long term projects with their customers. Every Friday, all employees reconvene at the HQ in Amersfoort to work on internal projects. For this, the company has adopted a Holacratic structure 3 years ago. The current company structure is shown in Figure 5. The main circle that is at the centre of this case, is called PRO6 managers and everyone in the company is part of this circle. Within the main circle, a sub circle was created especially for Sales & Acquisition. Lastly, there is the board circle that consists of the partners and the Lead Link and Rep Link of the sub circle.



*Figure 5: PRO6 Managers company structure. Adapted from Glassfrog*

### Viisi

The purpose of the company is to change the world of finance by making it better, more sustainable, and long-term oriented, by creating a workplace that lets every Viisionair, as they call their employees, develop their own talents freely and autonomously. The company was founded by the four founders seven years ago, and has organically grown to an organisation with 40 employees today. Three years ago, the company decided to adopt Holacracy. What the company structure looks like in terms of circles, excluding the Viisi labs can be seen in Figure 6. The Growth circle is the team that forms the heart of this case.

Viisi offers mortgage advice and its core target audience are first time home buyers with higher education. By specialising in a smaller part of the market it manages to deliver a higher

service level to these clients. Furthermore, the company offers lower tariffs compared to competitors, as Viisi makes use of digital tools that allows clients to handle the majority of administrative tasks. Besides the mortgage brokerage branch, Viisi has incubator labs in Amsterdam, Berlin, and Zurich, offering resources to start-ups that intend to shake up the world of financial services through FinTech. If the ideas work out, they can be integrated into the Viisi structure, such as Viisi Expats. This is a service aimed at expats looking to buy a house in the Netherlands.

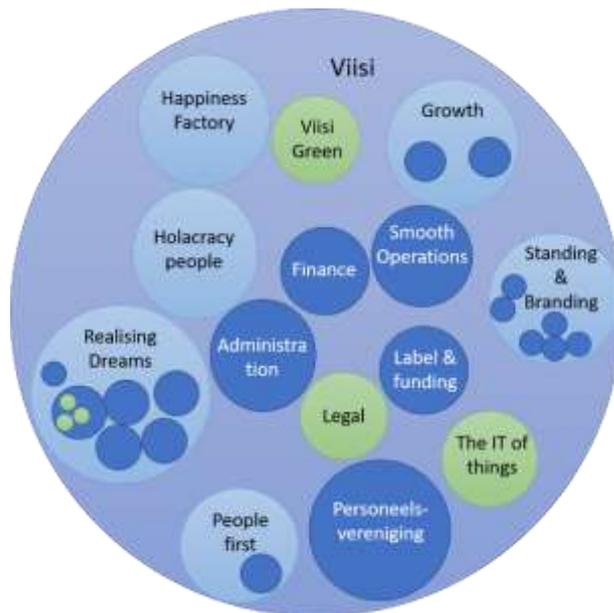


Figure 6: Viisi company structure. Adapted from Glassfrog<sup>3</sup>

### 3.2.2 Data gathering

For all cases both primary data, through interviews and observations, and secondary data from archival sources such as the media and the organisations themselves was obtained. By analysing and comparing these three independent data sets I was able to triangulate my findings.

#### Observations

Observations involve not only the systematic observation, but also the recording, description, analysis, and interpretation of human behaviour (Saunders et al., 2008). By attending meetings, primary observations in the form of note taking can be made of the

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<sup>3</sup> Viisi aims for transparency and has therefore made most of their internal Glassfrog software accessible to the public: <https://app.glassfrog.com/organizations/3929>

interaction that takes place between team members in a circle. To ensure that the interpretation of the recorded data happens in a correct manner, the results were discussed with members of the circle during the interviews. This triangulation reduces the risk of misinterpretation of data. In Table 2 an overview is given of the primary observations that were undertaken for this study, the nature of the meeting, and the length of each observation. Not every organisation has the same customs regarding their meetings, so the possibilities of observations were different for every case. However, for every case a minimum of 2 meetings were observed, with an average of 45 minutes per observation, and a total of 7 hours, divided over 9 observations.

*Table 2: Observation overview*

<b>Company</b>	<b>Meeting observation</b>	<b>Meeting type</b>	<b>Date</b>	<b>Duration (min)</b>
<b>Viisi</b>	Meeting 1	Tactical	06-09-2018	15,00
	Meeting 2	Tactical	10-09-2018	60,00
	Meeting 3	Tactical	24-09-2018	40,00
<b>KPN Technium</b>	Meeting 1	Governance	02-10-2018	65,00
	Meeting 2	Tactical/Governance	06-11-2018	60,00
<b>PRO6 Managers</b>	Meeting 1	Tactical	05-10-2018	30,00
	Meeting 2	Governance	05-10-2018	60,00
	Meeting 3	Tactical	26-10-2018	40,00
	Meeting 4	Governance	26-10-2018	50,00
<b>Total</b>				<b>420,00</b>

### Interviews

The interviews were held with members of the circle I observed, and for every case, one interview with someone who was primarily part of a different circle was conducted as a control interview. Moreover, employees are often member of multiple circles, consequently interviewees also spoke about their experiences in other circles, which made it possible to get insight into more of the organisation than just the circles that were being observed. Depending on availability, interviews were conducted face-to-face, over skype or over the phone. All interviews were audio recorded and transcribed verbatim. The interviews were semi-structured, which means I asked questions into the “how” and “what”, with a number of fixed topics and questions to discuss, but with room for flexibility given a specific context or interviewee (Eriksson & Kovalainen, 2015).

The interview questions that served as a framework can be found in Appendix B. The interviews were conducted in Dutch, unless the interviewee was not native Dutch, in which

case the interview was conducted in English. I carefully translated the Dutch quotes that are used to support my findings in chapter 4 to English.<sup>4</sup>

As the goal was to get rich and meaningful data, I did not steer the interviewees but took an inductive approach and let their answers guide the interview within the scope. In Table 3 an overview is given of the people that were interviewed for this research, and the duration of the interview. After finishing all the interviews for the three cases, I interviewed a certified Holacracy implementation coach, Erik Slotboom, who works for the organisation *Energized.org*, and who has over 2 years of experience in guiding companies through the different stages of implementing Holacracy. He helped me organise my thoughts and we discussed some of my observations and themes that came up during the data gathering stage. He then gave his view on the findings, and backed this up with his experience in other organisations. This enabled me to see what could be considered specific to the cases that are part of this study, and what can be seen as general findings. The 18 interviews lasted 45 minutes on average, adding up to 13.5 hours of interview.

Table 3: Interview overview

<b>Company</b>	<b>Interviewee</b>	<b>Interview type</b>	<b>Duration (min)</b>
<b>Viisi</b>	V1		41,00
	V2		62,00
	V3		38,00
	V4		66,00
	V5		54,00
	V6	Company founder interview	55,00
<b>KPN Technium</b>	K1		29,00
	K2		58,00
	K3		46,00
	K4	Non-TM interview	42,00
<b>PRO6 Managers</b>	P1		43,00
	P2		30,00
	P3		45,00
	P4		28,00
	P5		35,00
	P6		46,00
	P7	Company founder interview	29,00
<b>Energized</b>	ES	Expert interview	60,00
			<b>807,00</b>

<sup>4</sup> Whenever I was uncertain about the best way to translate a certain quote, I requested assistance from another native Dutch speaker on my course, who has a university degree in English. I did not ask for confirmation of my own translation, but rather ask for their translation first, so as to not bias them with my own. For all but one, the translations were identical, in one case I decided to adapt my own translation.

For both Viisi and PRO6 Managers, I was able to interview a founder of the company, who was involved in the decision to implement the self-managing structure in the firm. For KPN Technium, I did not speak to anyone involved in the decision making process of implementing self-management, but I did find and analyse an article in which an interview was presented with the Innovation Manager Simplification & Innovation Digital of KPN (Braakman, 2018). Moreover, I spoke multiple times to a KPN Technium FOLT coach who was actively implementing FOLT in multiple teams in the organisation, and could answer high-level questions about the organisation.

### 3.3 Data Analysis

As a first step of the data analysis, the recorded interviews were transcribed verbatim and reviewed for accuracy. The systematically reviewing of the transcripts allowed me to get acquainted with my interviewees' perspectives, and moreover gave me the opportunity to refine my interview questions and approach. This is in line with the grounded theory approach, which dictates that collection and analysis of data proceed simultaneously in an iterative process, so that each can enrich the other (Charmaz & Bryant, 2010).

I analysed the data using an interpretivist perspective, following the Gioia methodology (Gioia & Chittipeddi, 1991). This methodology combines the richness and messiness of qualitative data, with qualitative rigour instilled in the data analysis (Gioia, Corley, & Hamilton, 2013). One of the challenges of qualitative research, is to show that conclusions or new concepts put forward are not just a creative interpretation by the scientist, but are actually based on the data. The analysis from an interpretivist perspective starts by categorising first order concepts that can be found in the data, without coding them in academic constructs, so as to stay as close as possible to the data and the facts, and not prematurely start theorising (van Maanen, 1979). To make sure this happened in a structured way, I uploaded the transcripts into a data analysis software, Atlas.ti, which helped me to keep an overview and discover recurring patterns. After a few rounds of revising and refining, this stage resulted in a code book of 78 codes in total.

The next step was to create second order themes, in which academic terms and dimensions are used. Here, I reviewed the 78 codes, and the quotes that they represented, while I searched for larger dimensions in which they would form a meaningful theme. Together, the two steps show exactly the input of the interviewees, or informants as Gioia et al. (2013) call it, and the input of the researcher, and allows for the links between the data and the inductive theorising

to be demonstrated (Gioia et al., 2013). Figure 7 shows these steps in a graphic overview for the first of three aggregate dimensions of the findings. In summary, the interpretation of the data is laid bare and the research can therefore be scrutinised on its academic value.

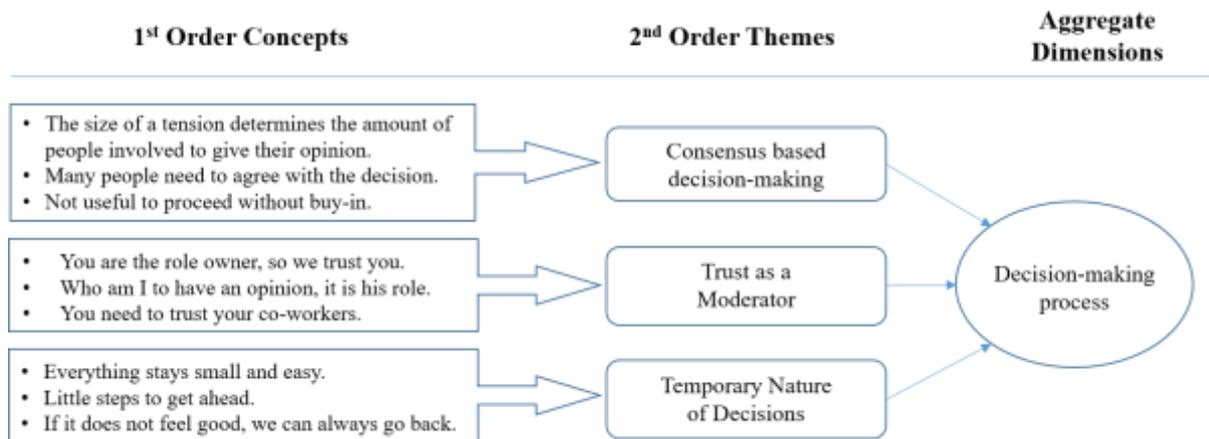


Figure 7: Data Analysis Structure: Adapted from Gioia et al. (2013)

## 4. Findings

In this chapter I will present the findings that I was able to extract from the data through the two-layered analysis, of creating 1<sup>st</sup> order concepts and 2<sup>nd</sup> order themes (Gioia et al., 2013). I have grouped the 2<sup>nd</sup> order themes into three distinct aggregate dimensions, the decision making process, the meeting structure, and authority. All three dimensions have three themes that fit into that dimension. Quotes and observations will be used to explain the concepts that are behind these themes. At the end of every theme, one or more propositions are given, which can later on be tested for their validity by future research. These propositions are supported by the empirical evidence gathered in this research, and by literature. How the propositions fit into the existing body of literature will be discussed in chapter 5.

### 4.1 Decision making Process

Within self-managing organisations, governance meetings always follow the procedure of integrative decision making (IDM), any decisions that are operational are to be made autonomously. IDM facilitates the creation, removal, and modification of circles, roles, and accountabilities, which is initiated by a proposal from a circle member. The procedure has three stages. First, circle members can ask clarifying questions, to which the proposer can respond. Circle members then give their reactions, after which the proposer can decide to change their proposal based on the reactions it got, however, they are not obligated to. Lastly, circle members can raise objections against the proposal in its current form, and when no objections arise the proposal is accepted (Robertson, 2015a). Objections can only be raised successfully if there is reason to believe that the proposal causes harm or would move the organisation backwards.

#### 4.1.1 Consent versus Consensus

Although the decision making process according to Robertson (2007, 2015a) and Laloux (2014) is consent-based, making decisions autonomously without having the back-up from the other people in the circle is not very useful, or as one interviewee put it:

*“When you do not have buy-in, it is not useful to make a decision, in that sense it is not very different from other organisations. <...> It is easy, of course, to kill a good idea, when everyone says, I don't think it is a good idea, we will demonstrate that it doesn't work.” – V5*

When paying closer attention to the wording of the interviewees, I realised many of them, across all three cases, were talking about group processes, and not about autonomous or consent-based decision making, when asked how decisions are made within the organisation:

*“It can take quite some time before everything is clear and everyone has agreed and a decision has been made.” – K4*

*“In our situation so many people need to come up with the decision.” – K3*

*“Ideas are discussed with one another, not pushed through.” – V4*

One interviewee spoke of a situation in which one team member wanted to add an accountability to a role, but the other team members were very much against his proposal. Through the IDM decision making process of the governance meeting, he succeeded to get the proposal accepted, as no one could give a valid objection as to why this accountability would set the group back or cause harm to the organisation. However, one or two meetings later, someone proposed to take the accountability out again and, with much approval from the group, the proposal got accepted, much to the dismay of this individual team member:

*“If he had sensed the mood of the rest of the group, he would have noticed there was very little support for his idea, but he didn't.” – P3*

One interviewee said that the reach of a decision, how much money was involved, and how long the effects would last, determines how much time should be spent on discussing the decision, and how many people should be consulted with, which he summarised as:

*“The size of a tension determines the amount of discussion that is required, and thus also the amount of people that you involve to give their opinions” – V4*

The system does allow for consent-based decision making. Especially in my observations of governance meetings, this became clear. The IDM objection round is simply done by an “objection” or “no objection” comment from every team member. Objections are generally very difficult to raise successfully, as the objector needs to reason how this plan will damage the circle or the organisation, so the objection round usually consists of nothing more than “no objection”. In the fourth meeting I observed at PRO6 Managers, a proposal to add two accountabilities could count on approval by some, indifference by others, but in the reaction round one of the partners and founders of the company made it clear that he thought the second accountability was superfluous, as it was already captured by the constitution. The project

manager putting in the proposal decided not to remove this second accountability but only alter it slightly. During the objection round, the partner did not say, “No objection”, but “Well, I have something but that is a reaction, and not an objection so, oh well...”. This is a clear example where there was no consensus about the proposal, but based on consent the proposal did get agreed upon. Based on this evidence, I conclude that although Holacracy allows for consent-based decision making, most of the decision making will be made based on consensus within the team.

*Proposition 1: Within self-managing organisations decisions are mostly taken based on team-consensus, rather than team-consent.*

#### 4.1.2 Trust within team

Whether or not people get involved in co-workers’ decisions within their roles, seems to be depending on their perception of the person. Is this person to be trusted with this decision?

*“When someone has an idea I do not agree with, I tell him that and we enter a dialogue and reach a better solution, or I find out, actually, it was a good idea after all. But often it does not even get to that because we think: you are the role owner, you are responsible for this, so we assume you have looked into this, so we trust you with that.” – V4*

*“We trust each other, and if we have differences in opinion, if we are talking about from a specialist point of view, we will take into consideration the person who has that role.” – K1*

*“In Holacracy, of course you always have decisions that others think, I would not do it like that myself, but the awareness is big enough that people can say, it is his role, and if he is comfortable with it, and it delivers results, who am I to have an opinion about that.” – P3*

The data suggests that trust in one another is strong in all teams, and many of the interviewees are aware of how important it is to have this trust. The evidence shows that trust decreases the amount of conflict between individuals and in the decision making process, and thus allows for more decisions to be made based on consent. I therefore put forward the following proposition:

*Proposition 2a: The proportion of decisions taken based on consensus as described in Proposition 1 will be lower when the level of trust between individuals in the organisation increases.*

Another important aspect of trust that this research brought forward, is trust in people by the organisation. In the first place, employees are given trust by the organisation when they become part of it, or when the organisation makes a switch to self-management, which increases the feeling of autonomy and responsibility, and also strengthens the trust on a team level.

*“What has changed in my role for me, is that I feel more autonomous and empowered to actually do things. <...> I get this feeling I can do anything because the organisation trusts me with this role.” – K2*

*“Everybody bears responsibility for the welfare of the company. So the company gives trust to its employees, and so, <...> you also need to trust your co-workers that they will also take the right decisions so that you don't lose your job, and the company is doing well.” – P4*

In short, these quotes all show the importance of trust within self-governing organisations. Trust between team members is essential and the origin of trust seems to come from the fact that before the team came into existence, the organisation trusted this individual to become part of the organisation and take on part of the responsibility. I therefore theorise that:

*Proposition 2b:* The amount of autonomy given by the organisation to individual employees increases the level of trust between individuals in the organisation.

#### 4.1.3 Reiterative Process

What has always been at the forefront of any Agile methodology, whether it is on a team-base, such as Scrum, or on an organisational base, such as Holacracy, is that reiteration allows for fast and adaptive work that quickly leads to results. Many respondents also mention the reiterative process as a factor that eases the decision making process, and prevents from conflict escalation:

*“Sometimes not everyone agrees, but we say, for now it is sufficient, let's just start with it. <...> That is very powerful, because there is progress in the process and there is improvement. You don't need to go through a large decision making process, but you make small steps and in the end you get to the result faster.” – K4*

*“The reason why we maybe never had any large heated debates, is because it is always about such small things, because we remain on top of things.” – V3*

*“We had to learn that not everything needs to be perfect straight away, small steps ahead is also fine. That is the problem, when you are with a group of independent people, who all think they know best, you get these type of discussions. One person comes up with something, another person comes up with something even better.” – P7*

These quotes show that reiterating allows for a quicker decision making process, as the decisions are on a smaller scale. This in turn, means that team member can agree more easily to a path forward without creating a conflictual situation in which individuals cannot agree on what the perfect solution is, or what the bigger picture should look like. I advance the following proposition in light of these results:

*Proposition 3a: Lower decision comprehensiveness decreases the level of conflict in a self-managing organisation.*

The data indicates that this reiterative process has an additional effect, namely the flexibility that decisions can always be overturned if it does not work out well. People are easier persuaded to consent to a decision if the decision does not seem too big. At KPN, recently three teams were reshuffled into four teams. This was a large operation and a tribe day was organised by the Scrum masters of the teams, in which all 28 developers had to decide which team they wanted to be in. The teams had to be well balanced in terms of members, and each needed to have enough expertise and experience on board to fulfil its particular purpose. Despite this being quite a contentious exercise which could easily result in conflict, everybody took responsibility and made a choice not only in their own best interest, but in the best interest of the organisation. One interviewee explains why it was not too hard to bring such a difficult operation to a successful end:

*“The thing is, what we were told is that, if after the tribe we didn't feel comfortable, for instance with the other team members, or after starting working we realise we don't like what we are doing, then we are free to tell that and voice our concern. So I feel like, if you know that you can always decide you don't like it, things are easier to do.” – K1*

This is supported by an interviewee at PRO6 Managers:

*“As long as it is safe enough to try, you can just go for it and if it does not work, we just reverse it again.” – P6*

Another example of this I saw at my first observation of a FOLT meeting at KPN, which was the first governance meeting of the newly formed team in which they had to create and

assign all relevant roles, and hold elections for the electable roles of Facilitator, Rep Link, and Secretary. The election for Secretary led to a tie in votes for two team members, and both were not jumping at the chance of taking on the role of Secretary. The Lead Link who, as is the rule, organised the first governance, stressed the fact that elections are every three months, and that if the person who accepted the role, decided they did not like it in the end, could always give it back, at any time, after which new elections would be held. After this, one of the two was willing to give it a try and took on the role. Based on these quotes and this evidence from observations, I conclude that:

*Proposition 3b:* The decreased impact and timespan of the consequences of decisions lowers the level of conflict in a team.

## 4.2 Meeting Structure

The meeting structure of Holacracy is one of its prime assets, which sets it apart from other philosophies of self-management, as it details a very intricate system for meetings. This system has a few objectives, but most importantly it aims for swift decision making without endless discussions and emotional entanglement. An important first step to every meeting is the “check-in round” in which every participant gets the floor to talk about personal topics, what is on their mind, how they are feeling, or, a popular topic, how they have slept. The other participants are not to respond to any of these stories. The reasoning behind this is that people have a safe space to express their emotions or current state of mind, the things that could potentially distract them from this meeting. Once this is cleared up, participants are more present in the moment and their co-workers have an idea of what might be going on. The facilitator needs to protect the process, not allowing “any cross-talk or response whatsoever” (Robertson, 2015a, p. 70).

The internal FOLT coach at KPN Technium said he repeatedly wondered during the implementation phase: “Are we still human?” In his eyes, Holacracy fails to recognise that where humans work together, human psychology plays a large role, and people cannot leave their personas outside of the meetings. For this reason he says, KPN Technium has backtracked on this as the human side of cooperation is too important. Therefore, the rules are applied less strict, which means for instance that people are not always cut off immediately when they make a contribution that is not necessarily a tension. The data indicates that not just at KPN Technium, but in all three cases the strictness of the meeting rules is a matter of concern. It

mostly comes down to the Facilitator to strike the right balance between protecting the process and allowing human interaction:

*“A facilitator needs to sense when a bit of discussion is necessary round the table.” – V2*

*“It gets tough when it comes to the role of Facilitator <... > to keep finding the balance, between where do I give someone space to go out of the process, and where do I not.”- K2*

*“I try to be a bit more lenient, but also stick to the structure a little bit, because otherwise I don't think you are doing it well.” – P3*

All three cases showed tension with the system to a greater or lesser extent. In this chapter these tensions will be reviewed, on the basis of the data analysis with regards to the meeting structure, and the rules of the meeting structure.

#### 4.2.1 Distinction between person and role

Part of this tension between the strictness of the rules around the meetings and the human aspect of cooperation, is captured in the Holacratic separation between person and role. According to Robertson (2015a), emotional conflict in traditional organisation comes into existence because people unify themselves with their role. In Holacracy, people have multiple roles and should therefore feel less unified with any of their roles. On top of that, because the roles and accountabilities are so explicit, team members will understand when someone asks for something, or claims something, because it is clear they are doing it from a certain role. This is supported by the data:

*“I haven't noticed any of those very emotional discussions where people cannot agree. The advantage to this method is that you would not reason from emotion quickly, <...> because it is not personal, it is tied to the role.” – P2*

*That is the biggest benefit to Holacracy, people can be more themselves, and less reactive parts of their personality. <...> Otherwise people often start thinking: this role is me. And it is a reflection of me. Most people will equate how well this role is doing to their own self-worth, and when somebodies self-worth is on the line, people do not tend to act very rationally.” – VI*

There is however no evidence for the claim that Holacracy would remove all emotional conflict. The system allows for a larger degree of separation between the person and the role, but does not completely separate it.

*Proposition 4:* Having more than one role allows for distance between person and role, which leads to a reduction in emotional conflict.

#### 4.2.2 Discussions outside of meetings

When asked for the advantages of Holacracy, the majority of interviewees mentioned the meeting structure as an advantage, because meetings are shorter, and do not include long discussions. The fast-paced decision making, is indeed astonishing. At my first observation of the Customer Journey circle at KPN Technium, the team had to completely design its initial structure and roles, including the elections of Facilitator, Secretary, and Rep Link. This was all done in slightly over an hour, which shows how rapid things can be done. However, this does require some consensus, what if team members cannot agree so quickly with one another on the right path forward?

The data indicates that many of the discussions that do not fit into the meetings, due to their form or nature, or due to time constraints placed on the meetings, will take place outside of the meetings. For example, after some of the observed meetings, once the check-out round was done and the meeting was officially closed, people would return to topics that were on the agenda and start a discussion about it, or would express feelings of frustration with the system, how they could not respond to something that they had wanted to respond to, as they knew the system would not allow them to. This is supported by statements from interviewees:

*“Sometimes you feel like, this is not right, it doesn't feel good, but that is a personal thing and does not constitute a valid objection. But that tension does not go away and needs to come out in a different way. So we discuss <...> after the meeting, "So what is the deal?" And well, that is about finding an outlet, and discovering whether the tension is still there, and if the tension is personal or professional.” – P1*

Not only does the data suggest that there is a tension with the system when people want to give their personal opinion or something similar, at a time that this is not allowed, it is also clear from the evidence that due to the tight schedule, and the limitation of topics that are allowed to be discussed in tactical or governance meetings, extra meetings are scheduled outside of the circle meetings, and as a result discussions are pushed out of meetings:

*“When there are differences of opinion, these can always be discussed outside of the meeting, because there is not much time during the meetings.” – V4*

*“Differences of opinion will be captured in a tension in a meeting <...> but I think that is the formal way. Besides that I think a lot is argued and discussed among one another, then it is not captured in a formal tension.” – P5*

*“In those tactical meetings you have seen people might propose different ways forward all the time. And every time I have seen it they agreed on what the next action is or a general direction or they would have a meeting scheduled specifically to talk about it afterwards.” – V1*

A good example of this was my second observation at Viisi, where several meetings were scheduled outside of the Holacratic meetings. This is not something that Holacracy explicitly prohibits, certified coach Erik Slotboom says. Many interviewees also stress that Holacracy is to be seen as a tool, not as a goal itself, and the founder of Viisi said the system should not become dogmatic:

*“We experiment with creating space for people as well, this can be done mostly outside Holacracy related meetings. The rules within the governance and tactical meetings do not allow discussions in some of the meeting steps, but outside these meetings, you can do and organize anything you like. There’s no rule against that. We also experiment with a process Facilitator that can work with the group if the Facilitator or a group member feels that there is distraction from the group tasks.” – ES*

*“You have to be extremely careful that Holacracy does not become dogmatic, and that people are still approaching each other on the work floor, and not wait until the weekly meeting to talk to one another while they are sitting right opposite each other. We are a company of 35 so what are we talking about?” – V6*

*“In principle you can do as much as you like, unless otherwise stated. When you go too much towards a leading system, you get scared to take initiative yourself, because it does not say you can in the system.” – P5*

Taking all of this into consideration, I conclude that the meeting structure allows for swift decision making, but for things to be properly discussed, especially in case there is task-related conflict, the discussion is taken outside of the meeting.

*Proposition 5:* The meeting structure of Holacratic organisations transfers conflict from the official team meetings to informal discussions or additionally scheduled meetings.

### 4.2.3 System enables equal participation

A recurring theme in the data is a sense that the system protects individuals in their autonomy. Again, the system is only a tool and is seen as an enabler for equal participation and equal say, but does not necessarily enforce it. Interviewees mentioned differences in assertiveness or in seniority that could lead to people having lower participation.

*“If you have a discussion, you can get more influence when you have a bigger mouth, but in this system that is limited. But you do not have any influence if you do not open your mouth.” – P5*

*“The fact that, as a newcomer, my input, and my voice and opinion, are safeguarded purely by the system in the same way as others' are, is a great advantage.” – P5*

*“Whilst in other organisations it is the case that the person with the loudest voice is heard the most, here you go round the table so everyone gets a chance to speak.*

*I like that, everyone can get involved.” – P4*

*“The system offers protection, because you can always raise tensions and when you are not assertive you do that less, but there is always room for it and we try to make sure all tensions get to the agenda, so a good Facilitator tries to pull tensions out of someone.” – V4*

Even people who do not believe in Holacracy as such, and are dragging their heels during meetings, have their rights protected by the system, as was brought forward by one interviewee:

*“Based on the model, everybody has the right to be there, whether you want to cooperate or not, the person can use the system, but <...> he does not have to.*

*It is a right to use the system, not an obligation.” – K2*

On several occasions I observed that during the meetings not everyone makes use of the system equally. This was most apparent in the third and fourth meeting observation at PRO6 Managers, which took place on a Friday afternoon consecutively. Fourteen of the circle members took part in both meetings, and together the meetings lasted for approximately one hour and thirty minutes. Four of the junior project managers only spoke during the rounds in which everyone had to speak, for example in the reaction and objection rounds of the IDM process. Two more senior circle members, each additionally spoke during one of the tensions. That means, in most of the meeting only eight out of the fourteen people around the table were actually engaged in the discussions, of which two people were engaging through their roles as

Facilitator and Secretary. Of the other six, two were partners, and four were senior project managers.

In a way, a self-managing organisation can be compared to a democracy. Within a democratic state, everybody has a vote and can vote if they want to, but they do not have the obligation to participate. If too many people choose not to participate, the system loses its legitimisation. Whereas Holacracy does not enforce equal participation, the system does allow for a more equal participation, and organisational politics are reduced.

*Proposition 6:* The self-managing system facilitates more equal participation of team members.

### 4.3 Authority

Within Holacracy, authority is a central notion, as it is directly linked to roles and accountabilities. Every role has one or more domains in which the role owner “has the *exclusive* authority to control on behalf of the organisation” (Robertson, 2015a, p.44). Almost all interviewees praised the autonomy, ownership and independence in their work as one of the biggest benefits of having implemented Holacracy. But what does it mean to have authority? And what influence does it have on conflict management?

#### 4.3.1 Social Hierarchy

The data suggests that despite relinquishing the formal decision making hierarchy, there is still some hierarchy left across the cases. This hierarchy is based more on factors such as status, experience, seniority, and leadership qualities, and does not necessarily follow the role distribution, as the following quotes show.

*“There is no traditional manager that appraises your work or hands out tasks, but there is still very much a hierarchy. And it is sort of clear where people sit. Maybe more of like an emergent hierarchy. <...> Who do people look up to, who do people trust? Who takes more initiative, to propose directions to go? Who has more insight? It is not like it is a calculation, <...> but people can tell, and that doesn’t go away because of a structure that is very specific in telling people what to do.” – VI*

*“I think certain choices are made with a mindset that stems from hierarchy. For example, when I chose my mentor, I picked a senior, even though I could have chosen a junior as well. But I opted for a senior because they have more experience and stature.” –P4*

*“Just like in any organisation there are people who are more senior, who have more experience than others, who often have the strategic roles, which also have more impact on the course of the organisation. So you could see a certain leadership in that.” – V2*

At Viisi an external advisor who used to have a leading position at a large bank, was active in only one or two roles in the circle and was not considered a core circle member, but in the three meetings I observed, he was actively involved in many of the discussions and decisions. The data seems to suggest that with natural leadership, more influence can be had, by giving advice, or by taking the lead, despite it being detached from having official power or authority over others. A few interviewees confirmed this:

*“People who are naturally inclined to take the lead should not feel inhibited by thinking: we are self-managing now, so I cannot lead people or set a direction anymore. I think we should continue doing that, and if the people in their role think – <...> I want to do it my way, that should just be discussed <...>, but every now and then it is fine if you put a leg, or a toe into someone else's role to stir up a discussion or to set some direction.” – P5*

*<...> people trust <names of team members>, that is why they have the power. The moment they lose that trust, they lose the power to influence that person. That kind of social power is much more dynamic and responsive to the realities whereas rigid, formal power in an authoritative traditional company does not change.” – V1*

Despite giving up their former positions, there are still examples to be named of situations in which the owners of the companies are regarded as having informal power or influence over the organisation. This became apparent in the two smaller companies, Viisi and PRO6 Managers, where the owners of the company are involved with the day-to-day operations.

*“Informally there is still a hierarchy. Viisi has four owners and everybody understands that those four owners in the background still steer a bit.*

*But that is more informal power than formal power.” – V5*

*“There is still hierarchy, and that is because there are partners. So in principle there is no hierarchy within the circle, but there is hierarchy between the circles and that has its effect. There is a limited decision making power in the circle. <...> and I think it is necessary because people have financial stakes, as owners they have taken a certain risk.” – P4*

*“What is a good example of that, is <lead link of super circle> <...>. He is not really operationally active, but is mostly acting on a strategic level. He constantly throws in new*

*ideas, and gives his opinion in that really strongly. So he is really a natural leader, he is a bit towards that side of the spectrum, which almost makes it feel manager-ish, but Holacracy is designed in a way, that with tensions and meetings you can get to the best step ahead.” – V4*

I gave one junior project manager at PRO6 managers a hypothetical case of an owner who would ask this junior project manager to publish something on the social media accounts, which are part of her domain. Would she do it, even if she thought it would not be a good idea to publish it? She said yes because he has years of experience so she would place his knowledge above her own. More interviewees spoke about inviting others to give advice, or giving advice because you sense a team member needs it:

*“I often ask <lead link of super circle> how he would deal with these type of situations, just like a coach. Because he has been in this situation 100 000 times, it would be silly not to ask his advice. <Growth team member> also often comes to me and asks how I would handle it, or I sense – this is something he is struggling with, let me support him.” – V2*

Another example of social hierarchy became apparent at Viisi. The company has a policy that any expense over a certain amount needs to go past the owners of the company, to ensure the liquidity and financial stability. This is justifiable within the Holacratic framework and in accordance with the Holacratic constitution, but when assessing whether or not the expense would harm or damage the organisation, it has also occurred that the owners started questioning the proposal in front of them in terms of content. One circle member gave an example, where the Growth circle wanted to hire a third party for content writing. The owners started questioning whether this person was a good writer, and whether there would be an escape clause in case it was not a good match. Despite this being outside of the authority of the owners of Viisi, the circle altered the proposal to have it go passed the owners again.

These quotes and examples of situations show that people can still get things done within Holacracy, without having the formal authority. It is my assertion that this informal authority is based on status in a social hierarchy.

*Proposition 7:* A positive relation exists between the amount of status an individual possesses in a social-hierarchy, and the individual’s influence on the self-managing organisation’s decision making process.

### 4.3.2 Coordination between tasks and roles

Part of being autonomous and self-governing, is that there are no deadlines or priorities assigned to anything. Team members are assigned next actions and projects as outputs of tensions discussed during the meetings. When they accept these tasks or projects, they make the commitment to (1) consciously track the action, (2) consciously review the action along with others they could take, and (3) consciously fulfil the task as soon as it becomes the most important one on their to-do list (Robertson, 2015a). The data suggests that this could potentially lead to conflicts, as people attach different values to tasks than others would.

*“We all work outside, for customers, so Holacracy allows space for people to decide their own priorities, until a large extent, but internally a lot of people are bothered by the fact that actions do get agreed on, but are not executed. Holacratically speaking, that is fine, but in the cooperation that is less fine, so we do struggle with that. External goes for internal, I agree with that as well, but at a certain point it gets annoying.” – P7*

During my observations at Viisi, I saw that they tried to prevent these conflicts by making priorities explicit. Whenever someone wants to assign a next action or a project to a role, they have to say whether it is (1) urgent or not, and (2) whether it is important or not. However, the situation at all three cases was the same: when people want to see results, they need to raise tensions during the meetings. So, when no one raises any tensions, there is no control function that sees to whether or not any results are reached. If people do not feel comfortable raising tensions every single time, as put forward by K4, if people feel it might lead to social repercussions, as asserted by V5, or if roles simply do not have enough interdependencies so that as a result not much tensions occur, as stated by P6, it can lead to tasks not being followed up on as well.

*“What I sometimes miss a bit is that in a tactical those projects pass by and little to no progress is being made on them, and in our case it is difficult to every single time ask: “why is there no progress?” You would have to raise a tension every single time. <...> that I think is still a bit hard, it does not feel natural.” – K4*

*“The only thing I notice is that you have a tension, and you give it to someone else, that can really turn into a passing-on exercise. Nothing happens, your tension does not get resolved, and three weeks later you can establish that nothing has happened in the meantime. <Whether or not it causes friction> depends on how hard people want to play it. Because*

*they will know, if I play it hard now, the other person can really slash my idea later on. You can tell that people are aware of that.” – V5*

*“I notice that it is hard for us to work self-governing with sufficient focus and energy. People all have certain roles, but have limited time to fulfil those roles. <...> We are inclined to pick up new things and not finish up on other things. <...> You need to address each-other when you want to see a result <...>, when this is not done sufficiently, <...> it can lead to never reaching any real results. <...> Our roles all have a quite strongly delineated area, <...> so not much tension or friction exists naturally in-between the roles.” – P6*

These quotes show that not having deadlines can have a positive effect on the flexibility and creativeness of employees, but can also lead to conflict if people are insufficiently addressing others for their lack of progress. This is a real threat if people feel uncomfortable doing so, or do not have enough task interdependencies. In conclusion, emotional conflict could be the result of growing frustration over faltering coordination between roles.

*Proposition 8: A negative relationship exists between the level of coordination within self-managing organisations and the risk of emotional conflict.*

#### 4.3.3 Purpose-led organisation

Holacratic organisations put a great emphasis on the purpose of the organisation, and all sub-circles have a purpose that would contribute to the main purpose. Roles in their turn, have a purpose that contribute to the purpose of the circle they are in. This *“hierarchy of purpose is very hierarchical”*, as interviewee V2 puts it, but at the same time, the data indicates that the purpose and its hierarchy can augment teamwork and team performance, as everybody is aware of what the goal is, and puts the organisational goals first:

*“The personal interest should not come above the team interest, <...> in the end of the day, if a conflict had risen, for me I would have been fine to work in another domain, most people would have done the same.” – K3*

*“So we were responsible for making great teams for each team <...> and choosing for the team and not just for ourselves. We talked about what is best for the tribe, and not just our own interest.” – K1*

*“You build up a personal bond with your colleagues and you start to trust them on a personal level, but actually that trust is based purely on the fact that you work for the same company and that they therefore have the same purpose or goal as you.” – P4*

These quotes show that putting the purpose of the organisation central to anything that happens in the organisation, and emphasising the contribution of every role and circle to that purpose, stimulates cooperation and reduces conflict levels. I thus conclude the following:

*Proposition 9a:* The emphasis on the purpose of an organisation increases commitment and alignment of employees.

*Proposition 9b:* A negative relationship exists between the commitment and alignment of employees, and the level of conflict.

## 5. Discussion

In this chapter, the implications of the findings are discussed from a critical standpoint in light of existing theories. First, I will discuss my inductive findings with the current knowledge of organisational design, decision making, and conflict literature. After the discussion, I will confer the relevance to literature and practice. Before the final remarks are made in the conclusion, this study's limitations are disclosed and future research suggestions are given.

### 5.1 Discussion of Findings

Going back to the research question of this study, this section is a discussion of what the data says about decision making in self-managing organisations and its effects on conflict. The discussion follows up on the findings, but combines the findings on the meeting structure and authority as these two topics are closely related. The three themes are thus divided into two sub-sections.

#### 5.1.1 Decision-making process

Starting-off, I want to draw a comparison between the decision making process in self-managing organisations with the process in TMT, as decision making power is distributed both in self-organising teams and in TMT, and intragroup conflicts cannot be solved by hierarchy. It is therefore my assertion that this comparison can be useful to find out more about the working of self-managing organisations.

In this study, consensus is found to be prevalent in self-managing organisations, despite the system being geared towards consent based decision making. Within TMT literature, a lack of consensus is found to have a negative impact on the quality of decision making (Bourgeois, 1980). However, both differences of opinion and self-interest can slow down consensus decision making (Bourgeois & Eisenhardt, 1988). Comparing consensus to different methods of structured group decision making, such as devil's eye and dialectical inquiry, consensus provides relatively lower decision making quality, but it does increase satisfaction amongst team members and the desire to continue working as a team, and leads to lower levels of conflict (Shweiger, Sandberg, & Ragan, 1986). These positive outcomes of the consensus based decision making process could form an explanation as to why teams move towards consensus instead of consent. However, as laid out in proposition 2a, consent based decision making does happen, and occurs more frequently when the level of interpersonal trust increases. This is a new concept to business literature, but finds support in medical literature. Medical treatments require informed consent by the patient, which is mediated by the patient's

trust in the doctor's expertise (Manson & O'Neill, 2007). Putting that into the context of self-managing organisations, trust is given to role owners because their team members assume that they have expert knowledge.

Autonomy is defined as the amount of freedom and discretion an individual has in carrying out assigned tasks (Hackman, 1983) and interpersonal trust as a willingness to be vulnerable to the actions of another party (Mayer, Davis, & Schoorman, 1995). Simons and Peterson (2000) have shown that intragroup trust is key in preventing task conflict from evolving into relationship conflict, which is supported by the findings in this study. Within TMT and self-managing teams, conflict can lead to lower intragroup trust, which can reduce the individual autonomy (Curşeu & Schrujjer, 2010; Langfred, 2007). Reversing that, this study found that a higher level of individual autonomy, leads to a higher level of trust.

In TMT literature, considering multiple options at the same time is found to reduce the chance of people getting too committed to one side or another, and leads to higher organisational performance (Eisenhardt, 1989) (T. Simons et al., 1999) As asserted in proposition 3a, low decision comprehensiveness in the iterative process of decision making in self-managing organisations, reduces the risk of conflict. This is not necessarily conflicting with existing literature, as task-related conflict can improve the decision quality, and thus organisational performance (De Dreu, Evers, Beersma, Kluwer, & Nauta, 2001). On the flipside, low levels of conflict can decrease the decision quality and organisational performance, through a lack of debate (T. Simons et al., 1999).

Taking into account the consequences of decisions is not a new concept to literature, but the iterative process, and adaptable framework of self-managing organisations allow decision makers to assign lower negative consequences to their decision, therefore facilitating faster decision making. From a rational point of view, decision makers should always follow three basic steps, assigning probabilities to uncertain events, assigning utilities to the possible consequences, and choose the decision with the highest expected utility (Lindley, 1985). However, cognitive biases do not always allow human beings to act rationally, and often people already have a favourite option beforehand that they assign more positive utility values to than is justified rationally, and the opposite happens for the options they do not prefer (Schwenk, 1984). This study proposes that when consequences are temporary, people come to their decisions easier as they do not feel as if much depends on it. People are therefore less inclined to get emotional about certain decisions, because everything can all change the next day.

Below, Figure 8 shows the inductive model that follows from the decision making process and how it relates to conflict. Conflict is not separated into interpersonal and task-related conflict, and it is not related to any measure of performance, as this was outside of the scope of this research.

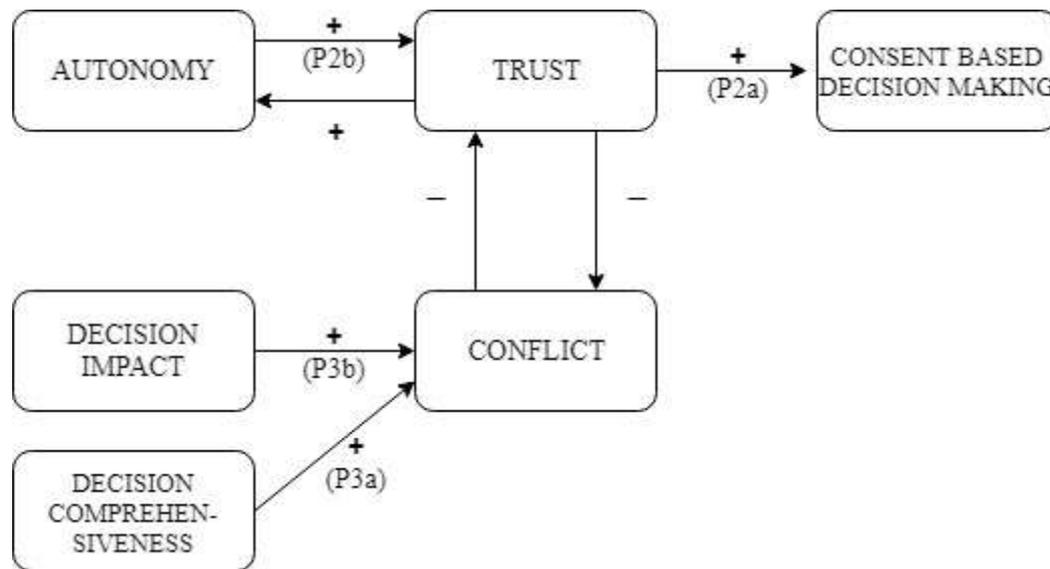


Figure 8: Decision Making Process Inductive Model

### 5.1.2 Meeting Structure & Authority

The findings of this research show that within self-managing organisations, equal participation is not enforced. Rather it allows the possibility for a more equal participation, and offers protection to those whose participation is lower. This can be explained from the viewpoint of social hierarchy, which is self-reinforcing (Srivastava & Anderson, 2009), and can come into existence within mere seconds of observation by individuals, as they infer and judge others' competence and power (Todorov, Mandisodza, Goren, & Hall, 2005). Although this system is relatively new, literature does describe positive outcomes of equal participation. Examples are the positive relationship between promoted equality by a coach, and team cohesion (Turman, 2003), and perceived equality of women in TMT, and positive contribution to the decision making (Nielsen & Huse, 2010).

People with a higher level of status, were found to have a larger influence on the decision making process in this study, by overstepping the boundaries of their roles, or by giving advice. This is something Laloux (2014) and Robertson (2015a) are both wary of, as people should not try to integrate advice and opinions from colleagues, but should just take operational decisions

autocratically, as people should learn from their mistakes and most decisions can easily be reversed. According to literature, skewed participation in group decision making does not have a negative influence on performance, as long as the group recognises the people who have expertise (Littlepage & Silbiger, 1992). The explicitness of roles and accountabilities within the self-managing organisations does seem to stimulate that.

Group decision making can lead to several process losses, such as coordination and motivation problems (Ingham, Levinger, Graves, & Peckham, 1974). In this study, the issue of coordination was also found in self-managing organisations, more specifically due to the lack of deadlines, and individuals having different priorities. This issue is recognised in literature and can be countered by systems to analytically determine priorities (Saaty, 2008). No evidence of motivational problems was found in this study, which can have two potential explanations. First, it can be explained through the Job Characteristics Theory by Hackman & Oldham (1976), that the intrinsic motivation was high due to high levels of feedback, perceived autonomy, perceived impact on others, and variety in tasks. Second, it can be explained through identity theory, that the intrinsic motivation was high due to the central purpose of the organisations and the strong organisational identification of the employees (Dutton, Dukerich, & Harquail, 1994). Identity theory also plays a role in explaining proposition 4, that individuals having multiple roles lowers the risk of emotional conflict. People often associate their own identity with the identity of their role (Dutton et al., 1994). This is also often a source of intergroup conflict, as people identify strongly with their own team and rivalry is created with other teams (Pondy, 1967).

One last findings pertains to the meeting structure, and how debates were often cut short, or not taking place at all during the meetings of the circle, but happened afterwards, as soon as the meeting was closed, or, in case of larger conflicts, in separately scheduled meetings with only the involved team members. This is very specific to the meeting structure that was implemented in the organisations that were part of this study, but literature does show similar situations in other types of organisations. For instance, in an elaborate case study of the board of a non-profit organisation, Golden-Biddle and Rao (1997) show how a conflict-avoidance culture can also lead to conflict being banned from meetings, as the team members feel like conflicts should not be dealt with publicly, and conflict does not fit their organisational identification.

## 5.2 Theoretical Implications and Generalisability

This study provides empirical support for the role of trust in decision making and in preventing conflict, but extrapolates these findings from TMT and team level to the domain of self-managing organisations. This trust can be strengthened by individuals' autonomy given to them by the organisation, as this empowers employees to undertake action autonomously and increases their trust in themselves and others that they are capable of this. Furthermore, this study provided evidence of consensus based decision making being the standard method of decision making, rather than consent based. Linking these two findings together, it is asserted that trust allows for more consent based decision making, which can be supported by findings from bioethics (Manson & O'Neill, 2007), but is novel to organisational theory, and could essentially be applied to any type of organisation or team that relies on its members to make autonomous decisions, which goes beyond self-managing organisations.

The reiterative process of decision making makes it possible for decision makers to decide on smaller issues at a time, increasing the adaptability (Rud, 2009). Additionally, this study found that the temporary nature of the consequences of decisions, have the same effect. Together, these effects of the reiterative decision making process, lower the risk of conflict, something that was not taken into account in prior literature. This finding is quite specific to self-managing organisations, as decisions made by TMTs often have more long-lasting consequences, and involve large investments.

A few of the findings provide evidence that is to some extent contradictory to claims made by Robertson (2007, 2015a) and Laloux (2014) about self-managing organisations. For instance, social hierarchy stays within the organisation, and people with a higher social status, have more influence on the decision making, despite the system that is in place. This reinforces existing literature on social hierarchy and status (Magee & Galinsky, 2008; Monarth, 2014). Moreover, not having any deadlines, increases the risk of having emotional conflict, as this study shows, because individuals do not want to incessantly chase their team members. Lastly, the strict meeting rules shorten the time that is spent on the official meetings, but there is evidence that debates now take place outside of meetings.

In other ways, this study supports claims by Robertson (2007, 2015a) and Laloux (2014), as the central role of purpose in the organisation, and the different roles individuals can have, allow for strong organisational identification (Dutton et al., 1994), which increases employee

commitment and, as this study's findings add, increases alignment amongst members of the organisation, which lowers conflict.

### 5.3 Managerial Implications

The aspects of decision making process identified in this thesis have important implications for managers and self-managing practitioners. First, it has relevance for organisations in which group decision making plays an important role, such as NGOs, cooperatives, and start-ups. As it turns out, to have employees make consent-based decisions autonomously, a high level of trust is required, but nevertheless, it is more likely that decisions are made based on consensus.

Second, when designing decision making structures, organisations should keep in mind that they should stimulate task-related conflict, and avoid emotional conflict within teams, as this can be harmful (Eisenhardt et al., 1997a; Jehn & Mannix, 2001; Pelled et al., 1999; T. Simons et al., 1999). According to this research, some of the aspects of the decision making process of self-managing organisations can reduce conflict. By identifying these practices, organisations, hierarchical or self-managing, can implement what they need in order to reduce the level of conflict. For instance, the finding that splitting roles up into smaller parts and allowing people to have multiple roles, diminishes the risk of emotional conflict, could benefit any company that experiences issues with emotional conflict. In family businesses, it is probably nothing new to have family members do what they are good at, which does not necessarily have to follow a formal job description as it would in a large corporation. For example, if a family member is good at construction, but also good with people, he might work in the manufacturing department, but also take on some HR roles. This insight could benefit any organisation.

### 5.4 Limitations

Despite efforts to mitigate any short-comings, this study is not free of limitations. What people say they do, and what people actually do, can be two very different things. For this reason, research findings from the interviews are supported by observations where possible. Moreover, the interviews were transcribed verbatim, so at a later stage I could review the interviews and analyse, for instance, the words that interviewees used to talk about certain processes.

A drawback of interviewing can be that people only reveal what they want to reveal about their experiences. This means that interviews can create a filtered, socially acceptable view of reality, because people feel uncomfortable talking about negative aspects of their work, or of social interaction in the workplace, also known as the response bias (Randall & Fernandes,

1991). To alleviate this effect, the interviews were conducted in private, and the interviewee was promised anonymity. On top of that, the questions included a few positively framed questions to build rapport and negative words such as “conflict” were avoided as much as possible (see Appendix B), unless they were brought up by the interviewee. Often, interviewees were very candid and spoke freely about both positive and negative aspects of work. On a few occasions, interviewees were a bit reserved during the interview, but with the last question: “is there something you want to get back to?” they started to talk more openly about their experiences.

Some interviewees were very familiar with the Holacratic framework, and spoke mostly about what Holacracy prescribes in terms of structure and the decision making process. To mitigate this effect, people were asked to provide experiences, and additionally in every case there was at least one interviewee who had been with the company for less than a year, and had practical experience with the system, but did not know the theory behind it. They often spoke about their personal impression of the system and the decision making process, as opposed to how in theory it should be.

The nature of self-managing organisations entails that teams can adapt and thus change in composition rather frequently. For the KPN Technium and Viisi cases, during the two months in which the observations took place, team members left and joined, which led to different team dynamics. In the case of PRO6 Managers the situation was somewhat different, as the whole organisation was part of the team. However, not everyone came to the meetings, and team dynamics did change when different people were present at the meeting. This shows that diversity in teams over time can lead to different results in decision making processes and conflict. Nevertheless, for me to be able to infer anything on this, I would have to do multiple observations within different team compositions.

The set-up of this research could be seen as a final limitation. There was a limited amount of time and financial resources available for me to conduct the research, as this is a master thesis and had to be completed within only a few months. Furthermore, I was dependent on the opportunities the organisations offered me to do the research, and not always could I sample my interviews. At KPN and Viisi I interviewed every team member that was available at the time, at PRO6 Managers I interviewed most of the participants of the first meeting I observed. Overall, this study certainly has its limitations, but precautions were taken wherever possible to minimise these limitations, and the findings provide enough avenues for future research.

## 5.5 Future Research

Despite the growing attention to self-managing organisations in both the academic and the business environment, the literature remains scant and fragmented. In order to have a clear and coherent understanding of self-managing organisations, future research is needed.

With a focus on the decision making process in self-managing organisations and conflict management, I built a multiple case study design to let processual patterns emerge. These patterns were then used to make a first attempt at theory building, using constructs from the organisational design, decision making, and conflict literature. In this study no conflicts were observed and primary data on an actual conflict, its process from the start of friction to the end of the resolution process would increase the validity of the theory. A longitudinal study would be most appropriate to observe an organisation closely and collect both qualitative and quantitative data in order to test some of the propositions asserted in this research.

The conceptual model presented in the discussion can be tested, and as some of the relations are already well embedded in existing literature, only the novel relations need to be tested. It could add value if a distinction is made between task-related and emotional, or interpersonal conflict. This however, is only possible if enough quantitative data can be collected on self-managing organisations.

This study has focused around three cases in three different organisations, and revolved around three teams with very different set-ups in terms of diversity. Future research would be necessary to provide insight into the influence of environmental factors, such as the industry of the organisation, and diversity in terms of age, culture, tenure, and education, as this research did not provide enough data for solid conclusions on this matter. This was also the case for the research done into the intergroup decision making and conflict, as the set-up was not suitable for drawing conclusions on this, but it could form a very interesting topic for future research.

Furthermore, this research revolved around the concept of self-managing organisations, but some of the insights it provides is into the phenomenon of Holacracy. This is not to say these findings cannot be generalised. For instance, the findings that concern the consensus decision making, are important to the literature of group decision making and to literature on TMT decision making in particular.

Lastly, as this research was conducted in the Netherlands only, with mostly Dutch participants, and it is highly likely that cultural dimensions played a role in the results. The

Netherlands score very low on masculinity in Hofstede's (1984) Cultural Dimensions Framework, making it a feminine society, valuing equality, solidarity, compromise and consensus more than individual success, unlike the American, German, and British culture (Hofstede, 1984). Conducting the same study within a different country, could therefore very well lead to different findings.

## 5.6 Conclusion

The purpose of this study was to investigate the decision making of organisations that do not have a formal decision making hierarchy, and its effects on conflicts arising within the organisation. Through an interpretivist method, I worked from data to theory, by conducting an inductive research of interviews and observations of three self-managing organisations.

Many studies have shown the importance of decision making on the performance of an organisation, and the influence of conflict on the quality of decisions. This study identifies three aggregated dimensions related to this, namely the process of decision making, the meeting structure, and authority. Within the first dimension, it was discovered that decisions were mostly made on consensus instead of consent, but that consent based decision making is more likely to occur when interpersonal trust is high. Furthermore, it is proposed that the iterative approach does not only bring down decision comprehensiveness, but that decisions are being made, keeping in mind the temporary nature of the consequences, which can be explained by the flexibility of the system. Put together with findings from existing literature, the findings in this dimension form a conceptual framework that can be tested in future research. Within the second and third dimension, several findings were interlinked and thus reinforced one another, which led to novel insights on the meeting structure of self-managing organisations. The meeting structure is generally regarded as very efficient and time-saving, but the results of this study show that debates are taking place outside of the meeting, which brings into question whether the meeting structure is indeed time-saving.

It is my hope that this study sparks a discussion in the academic world on self-managing organisations, in particular why the decision making in relation to conflict matters to these organisations, and that it inspires other scientists to advance the development of a theoretical framework.

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## Appendix A

<i>Category</i>	<i>Goal</i>	<i>KPN</i>	<i>PRO6 Managers</i>	<i>Viisi</i>
Division of Labour	Task Division	The department fits in the traditional hierarchy. Within the department, dynamic creation of circles.	Company has a board circle and one circle for all operational tasks, except for acquisition.	The main purpose of the company is key in the division of tasks. Circles are created based on functional division.
	Task Allocation	SM allocates the roles. RL/F/S are elected. Roles can be given back by TM/taken away by SM.	LL allocates roles. RL/F/S are elected. Roles can be given back by TM/taken away by LL.	LL allocates roles. LL/RL/F/S are elected. Roles can be given back by TM/taken away by LL.
	Provision of Rewards	Based on contract. Appraisals done by a committee, upon request.	Based on contract. Appraisals on a yearly basis by the partners of the firm.	Fully transparent salary model. On top of that a self-rewarded team bonus.
Integration of Effort	Provision of Information	Fixed schedule of meetings, consisting of both Scrum and Holacracy meetings.  Software to keep track of accountabilities, projects, and meeting outputs.	Fixed schedule of meetings.  Software to keep track of accountabilities, and meeting outputs.  A project board in the office, for visual overview of projects.	Fixed schedule Tacticals. Governance meetings planned when needed. Software to keep track of accountabilities, projects, and meeting outputs.

## Appendix B

Type of Question	Example questions	Link to research question	Dutch Translation
Opening questions	Can you tell me something about your professional background?	Building report	Kun je me iets vertellen over je professionele achtergrond?
	Do you enjoy working here?	Building report	heb je het naar je zin bij X?
	What does a typical day at the office look like?	Building report	hoe ziet een typische werkdag er uit voor jou?
	Who of your colleagues are you closest with?	Establish position in the group	Met welke collega werk je het hechstt samen?
Introductory questions	What factors does a team need to implement Holacracy successfully?	Part of conflict can be lack of trust - see if trust is mentioned	Welke factoren heeft een team nodig om Holacracy succesvol te implementeren?
	How do you shape your role as LL/Facilitator/Rep link?	Establish the participants view on their power base	Hoe geef je vorm aan je rol als LL/F/RL/S?
	How well do the people in your circle adapt to the Holacratic/FOLT way of working?	Triangulating my own observation findings - poss. Identifying tension /conflict	In hoeverre zijn mensen gewend geraakt aan het werken met Holacracy/FOLT?
	How are the diverse capabilities that team members have combined within the circle?	Stimulate Conversation	Hoe wordt er in de cirkel gebruik gemaakt van iedereens verschillende capaciteiten en talenten?
Transition questions	What does the Decision Making Process look like typically for strategic decisions?	Establish DMP	Hoe ziet het besluitvormingsproces eruit voor grotere strategische beslissingen?
	Could you tell me what gives you decision making power in Holacracy/FOLT?	Establishing power base	Binnen Holacracy/FOLT, wat bepaalt je invloed volgens jou?

	How does the circle deal with differences in character or friction between people?	Moving towards conflict - how are personality clashes dealt with?	Hoe wordt er in de cirkel omgegaan met verschillende persoonlijkheden of persoonlijke botsingen?
Key questions	Can you name examples of situations in which hierarchy and authority still play a role in the company or circle?	Getting the participants view on hierarchy in the company with some concrete cases	Kun je voorbeelden noemen van situaties waarin hiërarchie nog een rol speelt binnen het bedrijf of binnen de cirkel?
	To what extent are there differences of professional opinion in your circle? And how are these differences dealt with?	Moving towards conflict - how is difference in opinion dealt with.	In hoeverre bestaan er verschillen van mening op professioneel vlak binnen de cirkel en hoe wordt met deze meningsverschillen omgegaan?
	Can you give an account of a disagreement or a difference in opinion that occurred and how they were solved?	Get more information out of the participant about conflict - how is conflict dealt with in the group?	Kun je een voorbeeld geven van een discussie of een meningsverschil die je hier hebt meegemaakt, en van hoe er mee omgegaan werd?
	Continue questioning disagreements in the office how are they solved, by whom: example of a conflict: how is it dealt with?	In case participants say there is no example of conflict: give a hypothetical case and ask how it would be solved.	
Final questions	What advantages does Holacracy give your team in your opinion?	Finish the interview on a positive note: stimulate conversation	Welke voordelen geeft Holacracy/FOLT aan jouw team?
	What do you think has not been addressed but still needs addressing? Is there something you would like to get back to?	Give the participant an opportunity to add to the interview	Zijn er nog dingen waar je het over wil hebben, of wil je nog ergens op terug komen?