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

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ABSTRACT

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

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Introduction

The formal managerial hierarchy in modern organizations is as persistent as are calls for its replacement. The managerial hierarchy, which took hold in organizations in the late nineteenth and early twentieth centuries, has proved remarkably resistant to change.[1] Norms, mindsets,

and cultural assumptions that pervade modern organizational life combine to reinforce an all but taken-for-granted belief in managerial power as the primary mechanism for ensuring performance. Within this institutional belief system, managerial power – or the granting of individuals in management roles formal authority to direct and evaluate the work of subordinates – constitutes the essential means of ensuring optimal results.

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

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

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[1] There are many definitions and conceptualizations of hierarchy; thus, to define our terms clearly, we use _managerial hierarchy_ to refer to an organizational design that emerged in the late 19th and early 20th century in large-scale capitalist enterprises and featured multiple levels of authority, in which the middle layers of managers were not owners (Chandler, 1977). This organizational design still predominates today (Gruenfeld & Tiedens, 2010; Pfeffer, 2013), and relies on two basic principles: (1) a _hierarchy of authority_ — that is, individuals reporting to managers who have the authority to direct and prioritize the execution and allocation of tasks, review performance, and in many cases, hire and fire; and (2) a _hierarchy of accountability_—that is, work accountabilities roll up from direct reports to managers who hold ultimate accountability for the work of all those below in the organization chart. The core unit of the managerial hierarchy is the reporting relationship between manager and subordinate, a relationship that has been described as operating by the principle of unity of command (Fayol, 1949), supervision of lower offices by higher ones (Weber, 1946), and obedience to superiors (Burns & Stalker, 1961). Ultimately, the manager-subordinate relationship is characterized by a "power-over" dynamic that gives managers the authority to supersede subordinates when conflicts arise. Further, subordinates lack the recourse to object to decisions made by managers. Contrast the managerial hierarchy with cooperatives that may choose to organize hierarchically by democratically electing leaders. In such organizations, leaders may make decisions with which other organizational members disagree but this authority is endorsed from below and revocable. In managerial hierarchies, managerial authority is enduring and irrevocable from below. We use _hierarchy_ to refer to a broader set of phenomena that include a hierarchy of formal authority, as depicted in classic pyramid-shaped organizational charts (Weber, 1947; Jaques, 1996) and a hierarchy of informal authority or status, as evidenced by dominance vs. deference behaviors and hierarchical speaking rules (e.g. Anderson, Willer, Kilduff, & Brown, 2012; Báles, Strodtbeck, Mills, & Roseborough, 1951; Detert & Edmondson, 2011). Wherever possible, we try to specify whether we are speaking of formal hierarchy or informal hierarchy. Note that managerial hierarchies are characterized by both formal hierarchy and informal hierarchy. Indeed, not only do managers have formal authority over subordinates in a variety of domains, but the ubiquity of hierarchical speaking rules, deference behaviors, and implicit voice theories in organizations indicate the correlative existence of

informal hierarchy as well. Finally, we use _decentralization_ to refer to downward shifts in the distribution of formal or informal authority across hierarchical levels. See Aghion and Tirole (1997) or Dobrajska et al. (2015) for a discussion of differences between formal and informal authority within managerial hierarchies. Note that decentralization of authority can occur without changing the number of formal hierarchical levels.