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LEADERSHIP IN VOLATILE TIMES

Abstract

Today many companies have to struggle with different challenges such as having to face increasing volatility and ambiguity in the markets. From a global perspective, the average engagement of employees is very low. Managers tend to be overloaded with data and lose contact to the strategic perspective. Hence there are several examples of companies and NPOs which have found ways to solve problems like these. They function on the basis of a self-organization with decentralized decision-making instead of a hierarchical pyramid. Despite distinct features in detail, this kind of a relatively new way of organizing may be summarized with the following characteristics: purpose-driven, distributed authority, self-management, and wholeness. In this paper, I review characteristics, strengths and challenges of these approaches based on a literature review and case studies. Some popular misconceptions are also addressed. The paper shows different approaches of how to implement or rather integrate self-organization with decentralized decision-making. Furthermore, some topics are discussed which may become crucial during such an organizational change process.

Keywords: organization, agility, leadership, teal

1. THE FUTURE OF ORGANIZATION IS ALIVE ALREADY

In hierarchical organizations, all decisions of relative importance are usually made by managers. Very often, they are not connected to the practical activities anymore. Hence those decisions are not well-founded in many cases and cause resistance among the sub-ordinates. To be subjected to such decisions, reduces the motivation of many employees. From a global perspective, only 13% of employees was found to be actively engaged at work, whereas 24% are actively disengaged (Gallup 2013). On the one hand, managers tend to be overloaded by operative details and lose sight of the strategic perspective. On the other hand, they apt to hold on to the power and status of their position within a stable hierarchy.

But it may be possible to find some organizations in Europe and the USA which do not even have flat hierarchies but no one at all. Interestingly, those companies have developed their own approaches more or less independently from one another. Semco in Brazil is probably the first example which needs to be discussed in this context (Semler 2004). Frederic Laloux described 12 more in his book "Reinventing Organization" (Laloux 2014). Some others may have been found in the meantime. These organizations include production (e.g. Morning Star, Patagonia) ,service industry (e.g. Zappos, ESBZ), profit (e.g. SUN hydraulics) and NPO (e.g. rhd). Some of these organizations are small (e.g. evolution at work) and some are big (e.g. AES). Moreover, it is interesting to point out that some were already founded in a self-organized manner (e.g. Buurtzorg, evolution at work), wheras others were transformed (e.g. FAVI, Poult). These organizations show successful results by applying organizational practices which radically contradict dominating convictions. The US-company Morning Star produces tomatoes worth $700 million annually with about 400 employees. They achieved a double-digit growth rate compared to the 1% of their competitors. The Dutch neighborhood-nursing organization Buurtzorg grew from 10 employees to 7000 with a market share of 75% within 7 years. These are examples for organizations which differ fundamentally from well-known organizational structures.

Figure 1 organizations with decentralized decision-making (Pircher 2015b)

Laloux (2014) summarizes four characteristics of these different approaches which were mainly developed independently form one another.

To a different extent, they show the following features: purpose-driven, self-management and distributed authority, as well as wholeness

1.1. Purpose-driven

Serving the purpose or mission of the organization provides the leading orientation for every decision and action. Whether an idea or argument is good or bad will be judged by this estimation. Every employee at Morning Star "is [for example] responsible for drawing up a personal mission statement that outlines how he or she will contribute to the company's goal of `producing tomato products and services which consistently achieve the quality and service expectations of our customers.'" (Hamel 2011).

1.2. Self-Management and distributed authority

The power to make decisions is allocated to those people in the organization who are competent. Employees decide how much money to spend on specific purposes such as salaries. They are responsible for acquiring the knowledge and tools needed to do their work. Employees even determine the strategy and salary but they also know that they have to earn the required profits . There are neither titles nor promotions because there is no managerial pyramid. In such organizations, there are no managers anymore. However, everybody is a manager in terms of competencies to make decisions. One employee puts it like that: "I'm driven by my mission and my commitments, not by a manager" (Hamel 2011).

The structures give people high autonomy within their domain. Employees negotiate responsibilities with their peers. They apply market-style practices in their relationships. If they lack the money to make certain investments , they have to convince colleagues to lend them money. "There is a social risk in doing something your colleagues think is stupid." (Hamel 2011, Laloux 2014).

1.3. Wholeness

People do not have to fit into predefined "boxes". They tend to be seen as a whole human being, not only a rational employee. As a consequence, the employees will develop their full potential. Moreover, they are expected to take on more responsibilities as they develop further competencies. The roles are therefore more versatile and complicated than elsewhere (Laloux 2014, Hamel 2011). For all the above mentioned reasons, individual development is more accessible than in hierarchical organizations (e.g. Rooke / Torbert 2005).

2. STRENGTHS AND CHALLENGES

It may be concluded that in such organizations, the employees have a lot of freedom to do what they are convinced is the best thing to serve the purpose. Simultaneously, they have peer-negotiated responsibility for the results

of their actions. There are almost no rigid structures like hierarchies and status markers which keep them from fulfilling their mission. Certainly, there are clearly defined processes for decision-making and accountability.

Such a fundamental shift of organizational structure and culture also has its drawbacks. It usually takes quite a long time to get accustomed to it and to become productive. *Acculturation* is not easy. Not everybody is willing to work for such an organization or is suitable for it. Employees who are used to working in a rigid hierarchical environment may not be able to adjust. This selection criterion is difficult to assess and constitutes a limitation for growth in terms of number of employees. Hence, *recruiting and on-boarding* represent growth-limiting factors. Without a hierarchical ladder to climb, employees may also find it *difficult to evaluate and communicate their progress* in comparison to their peers. That can become a handicap when they want to switch companies. Peer-negotiated responsibility requires *explicit feedback* in case a counterpart did not meet his or her promises. This may be challenging for employees on both sides, but it constitutes a core factor for productivity (Hamel 2011; Pircher 2015a).

It appears to be evident that a new type of purpose-driven organization requires people with the ability and willingness to manage their actions and competencies quite independently and coordinate them with colleagues. On top of their professional expertise, they have to establish self-management and self-leadership abilities. Self-leadership may be defined as "a comprehensive self-influence perspective that concerns leading oneself toward performance of naturally motivating tasks as well as managing oneself to do work that must be done but is not naturally motivating" (Manz, 1986: p. 589). In addition to self-management, the concepts of the "what" and "why" are covered. By focusing on the "why" and "what" of self-influence, individual self-leaders address the underlying reasons for effort and behavior (Manz, 2013). Increased self-leadership corresponds with better affective responses and improved work performance (Stewart, Courtright & Manz, 2011).

For this new approach in organizing collaboration, we may summarize the following *strengths*:

- increased flexibility and responsiveness;
- higher ability to create innovation;
- strong commitment of employees to decisions because they are invited to take part in them actively;
- decisions and actions are more strongly linked to the purpose and the strategy of the company.

… and *weaknesses*:

- recruiting, on-boarding and acculturation are much more important and difficult;
- it may be challenging for employees to evaluate and communicate their progress in comparison to peers;

- performance and payment could be difficult to assess;
- self-management and self-leadership-competencies are required.

3.   POPULAR   MISCONCEPTIONS   CONCERNING SELF-ORGANIZATION

This type of organization with decentralized decision-making seems to contradict our fundamental assumptions regarding the organization of human collaboration. This fact results in   a lot of misconceptions which are addressed briefly in the following paragraphs:

- "There is a lot of talking and little action": Clear structures and processes create a "grid" which channels discussion and interaction towards the purpose. Personal accountability for actions and achievements ensures that nobody hides behind the decisions of a superior.
- "There are still hierarchies but hidden ones": A fluid and purpose-driven structure allows existing human competencies to be effective wherever they are needed. There are still different levels of competency but they are neither rigid nor self-sustaining.
- "This is a nice hippie utopia but it doesn't work in real business life": Most of these new organizations earn profits which they could even increase through this fundamental transformation.

4.   HOW TO GET THERE? GREEN-FIELD, RADICAL OR INCREMENTAL CHANGE

There are basically three possibilities of how to transform an existing hierarchical organization:

- a new organization is founded on the basis of the principles of self-organization;
- a radical change is ordered for an existing hierarchical organization by its top-management (e.g. by Tony Hsieh at Zappos using Holacracy, e.g. Gelles 2015);
- a process of incremental and participative step-by-step change is started.

Which of these approaches is the one of choice strongly depends on the history of the organization and on the mindset of the leaders and owners. If change of the company as such seems to be impossible or too difficult, it could be a suitable solution to found a new organization as an "incubator" of innovation, etc. The challenge then could be to integrate these innovations into the "old" company. A radical change from a managerial pyramid to self-organization with decentralized decision-making needs a lot of decidedness and readiness to accept risks. The incremental approach allows developing a suitable solution step-by-step which fits to the existing organization.

In any case, one precondition is indispensable: A leader or owner who realizes the potential of a much more flexible and responsive organization and who takes the risk of starting something completely new. A human being who embodies such a collaborative and participative mindset of the future company is required (Laloux, 2015).

During transformation, the following "hot topics" are likely to gain importance:

- What is the real purpose, the mission of the organization?
- Which approach does best fit to the organization to gain more organizational flexibility? Is it advisable to develop something completely new on the green-field? Is it better to implement a concept out of the box like Holacracy (Robertson 2015)? Or is it recommendable to start a step-by-step process with a first team or department?
- What are approaches which fit to the purpose and the history of the organization regarding topics such as decision-making, definition of roles and processes, competency-development in areas like self-leadership, etc.?
- How can present managers be supported to find an image of their future identity in the organization?
- How can an organization negotiate salaries without any hierarchies and traditional career ladders?
- Who wants to join the journey? How should an organization part ways with employees who cannot identify with the new organizational identity and structure?
- What recruiting process is recommendable to find the best candidates who can also identify with the company culture?

5. CONCLUSION

Generally speaking, the ability of companies to survive is nowadays endangered by a more and more volatile and ambiguous environment and by rigid internal structures. Every year we see business "dinosaurs" of an old military management style passing away because they were unable to adapt to changing environments. Sometimes they even seem to be too arrogant to take these changes seriously.

For those leaders who accept the challenge, self-organization with decentralized decision-making offers possible answers. These concepts give the company much more flexibility, foster innovation and increase the commitment of the employees towards the common purpose. However, drawbacks are inevitable and important decisions need to be made: Which approach is the most suitable for the existing company? How can crucial topics be addressed? What can be done with managers and employees who do not want to join the journey?

In business as in nature, not the strongest survives but those who are best adapted to their environments. Hierarchical organizations may survive in niches but

it seems to be evident that they will not be the determining concept for the networked and global economy. It is very likely that the current concepts of self-organization with decentralized decision-making will be further developed in the near future. Therefore, our current knowledge should not get to be the next hype of management. But to ignore the examples of companies implementing them successfully and not thinking about potential for learning could be counterproductive.

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