DESIGNING ORGANISATIONS FOR SELF-MANAGEMENT

Frank Martela
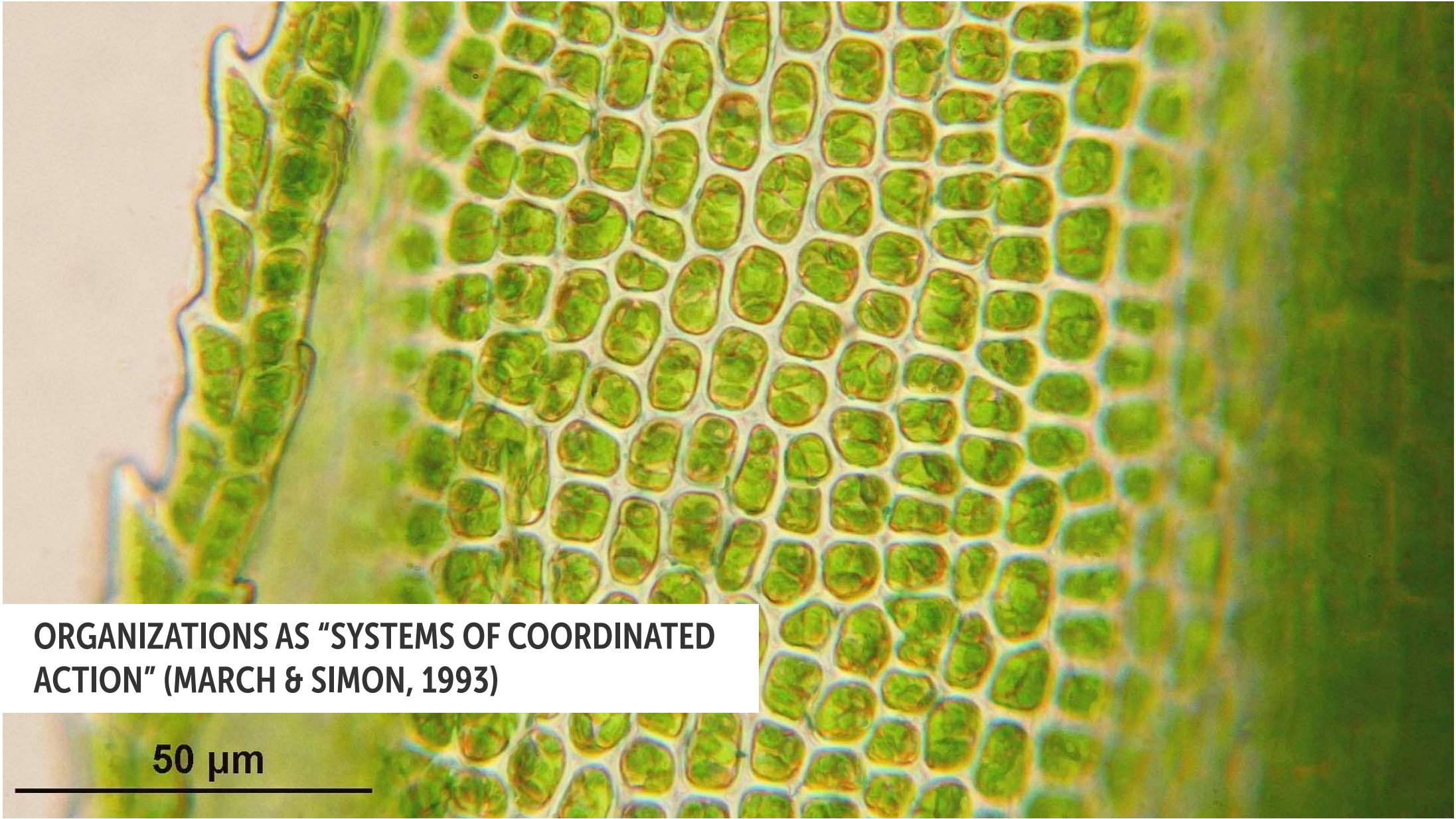University lecturer, Aalto University
Co-founder, Filosofian Akatemia Oy

A? Aalto University

ſ Filosofian Akatemia

WHAT ORGANIZATIONS NEED TO FUNCTION?

ORGANIZATIONS AS "SYSTEMS OF COORDINATED ACTION" (MARCH & SIMON, 1993)

50 μm

"

Organizations as "(1) a multiagent system with (2) identifiable boundaries and (3) system-level goals (purpose) toward which (4) the constituent agent's efforts are expected to make a contribution."

-Puranam et al. 2014, p. 163

THE UNIVERSAL PROBLEMS OF ORGANISING

	Weberian bureaucracy	Self-managing organizations
Division and allocation of labor	Top-down process	All employees having the responsibility and authority to create new tasks
Ensuring effort	Supervisors responsible for monitoring the actions and/or outputs of their subordinates	Employees primarily accountable for and monitored by each other
Eliminating freeriding	Supervisors responsible for monitoring the actions and/or outputs of their subordinates	Employees primarily accountable for and monitored by each other
Direction setting	Strict task boundaries and precise instructions eliminate the need for distributing broad information	Transparency of all key information and active distribution of information
Coordination of interdependent tasks	Standardized procedures and top-down task allocation and monitoring	Between-team and between-function coordination accomplished through link roles and through extensive use of IT systems

Source: Martela (2019): *What makes self-managing organizations novel?* Journal of Organization Design

WHAT ARE SELF-MANAGING ORGANIZATIONS?

BUURTZORG

TOIMITTANEET

FRANK MARTELA & KAROLIINA JARENKO

ITSEOHJAUTUVUUS

MITEN ORGANISOITUA TULEVAISUUDESSA?

ALMA

Reaktor

futurice

VINCIT

MODE - MINIMALIST ORGANIZATION DESIGN

- Research project with Aalto, Haaga-Helia & U of Tampere (2019-2021)

- Funding: Business Finland

- Researchers: Johanna Vuori, Frank Martela, Perttu Salovaara, Reima Launonen, Tuukka Kostamo, Jori Mäkkeli, Joona Koistinen

- 5 organisations aspiring to become more self-managing:

  - Telia, JCDecaux, Metso Minerals, Debora, Tilaajavastuu

- 2 self-managing organisations with own R&D projects:

  - Reaktor & Futurice

ITSEOHJAUTUVUUDEN TILA SUOMESSA

- Research project at Aalto university (2020-2021)

- Funding: Työsuojelurahasto

- Researchers: Frank Martela, Nhi Hoang, Jari Hakanen, Johanna Vuori & Marina Biniari

- Nationally representative survey (n = 2000), to assess the state of self-management in Finland and its relations with work engagement and burnout

WHY SELF-MANAGEMENT NOW?

Morning Star

Excellence Through Commitment

Harvard Business Review

Inside The World's Most Creatively Managed Company
Gary Hamel.

The Big Idea

FIRST, LET'S FIRE ALL THE MANAGERS

MANAGEMENT IS THE LEAST EFFICIENT ACTIVITY IN YOUR ORGANIZATION - GARY HAMEL
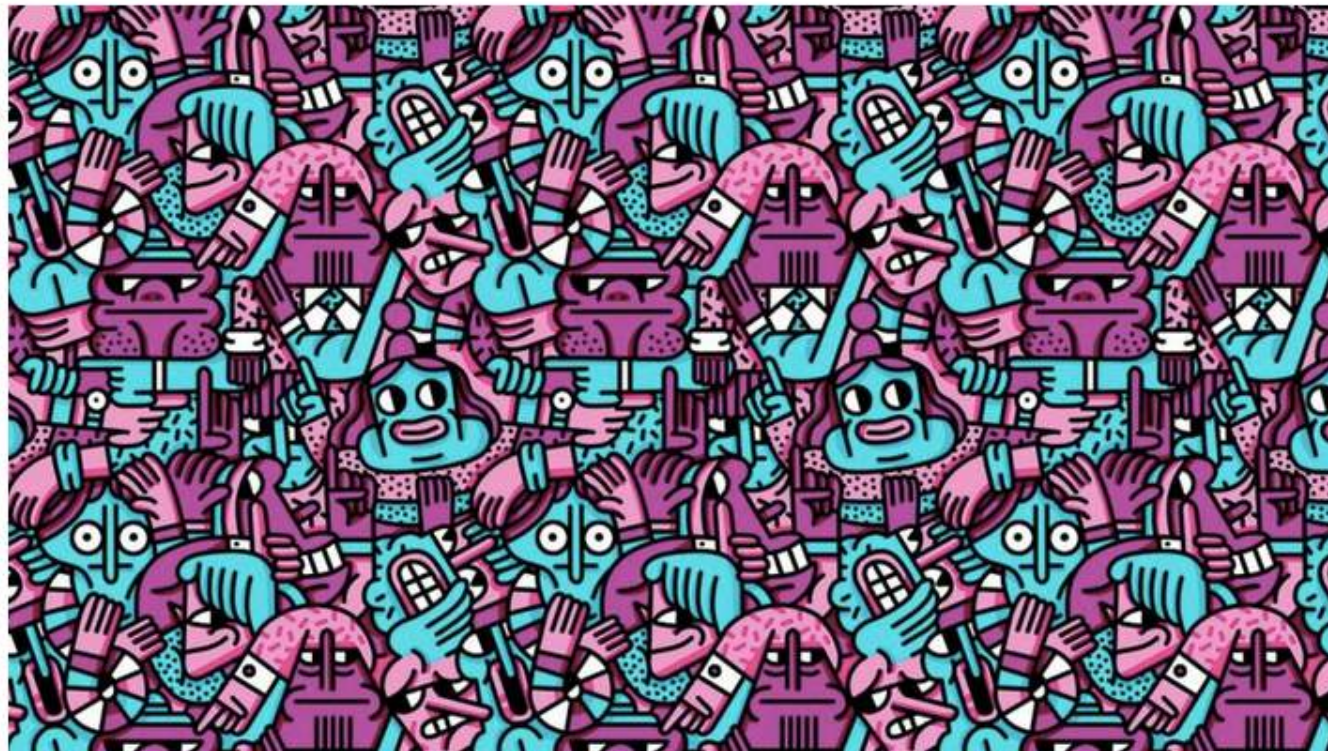
Excess Management Is Costing the U.S. $3 Trillion Per Year

by Gary Hamel and Michele Zanini

SEPTEMBER 05, 2016

⊕ SAVE   ↱ SHARE   💬   нH $8,95

ENHANCED MOTIVATION AND WELL-BEING

AUTONOMOUS TEAMS ABLE TO ADAPTIVELY SERVE THE CUSTOMERS
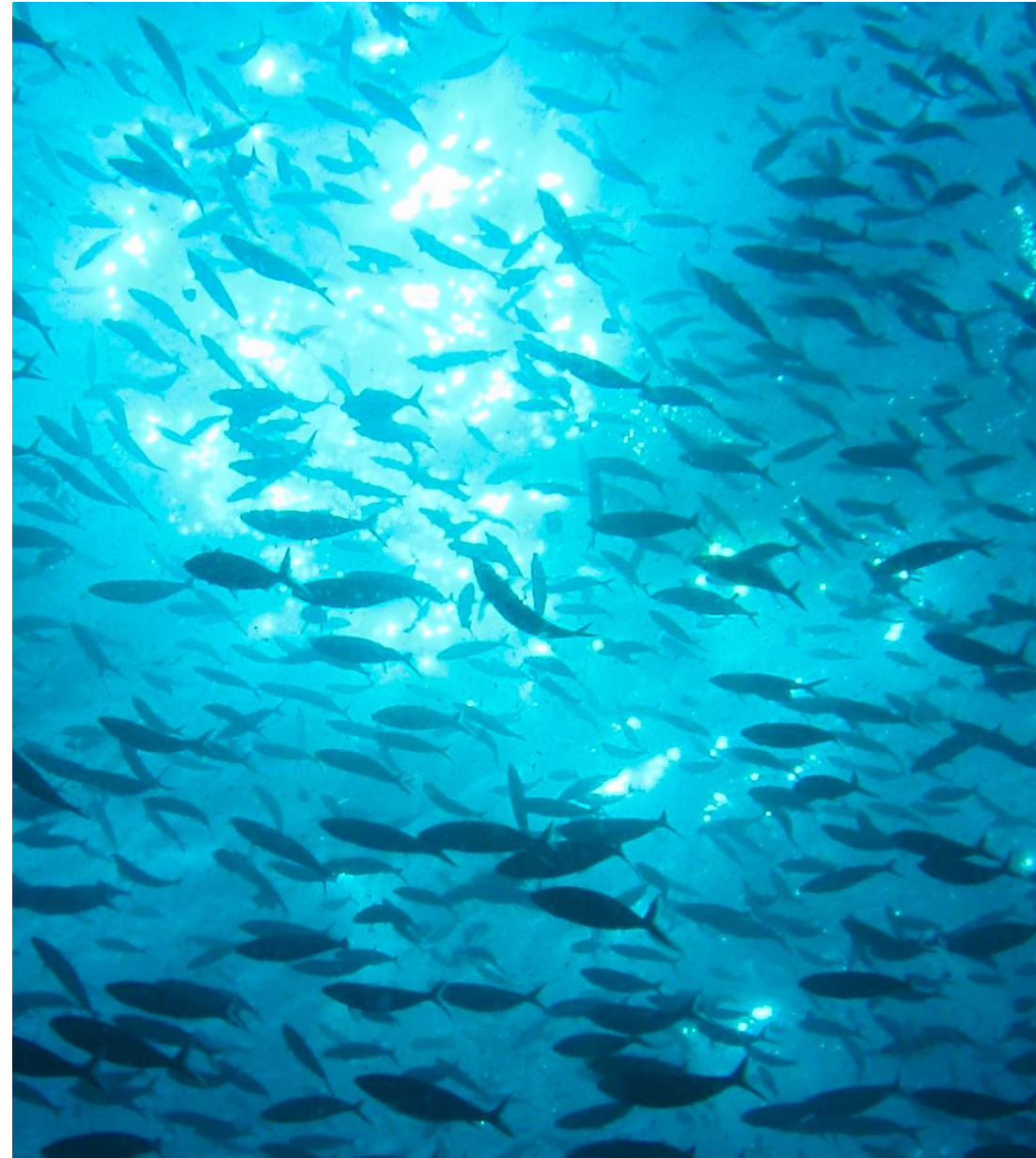
ALLEGED BENEFITS OF SELF-MANAGEMENT

1. Motivation and well-being of employees

2. Adaptive and innovative business

3. Cost savings from not having middle management

WHY NOW?

1. Expertise-based work

2. Need to adapt to rapidly changing business environment

3. Increased tailorization of end products

4. IT systems as enablers

INDUSTRIAL WORK

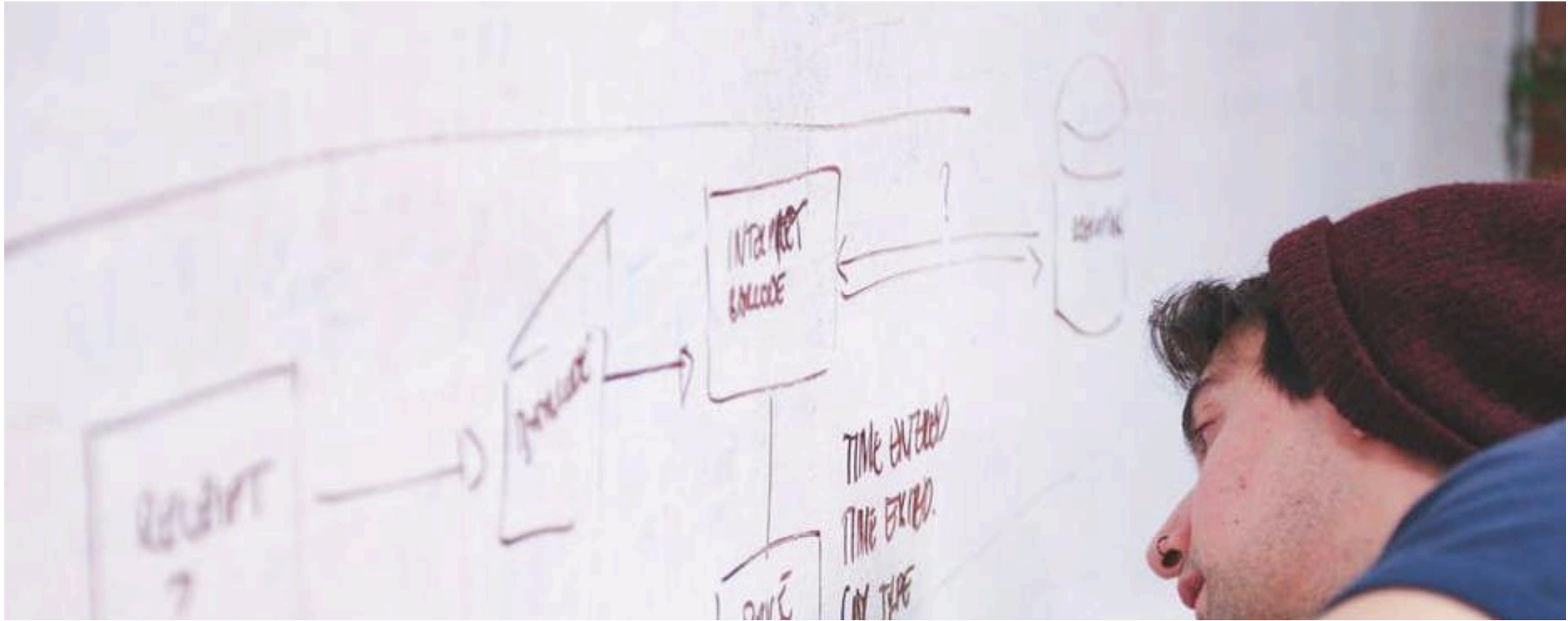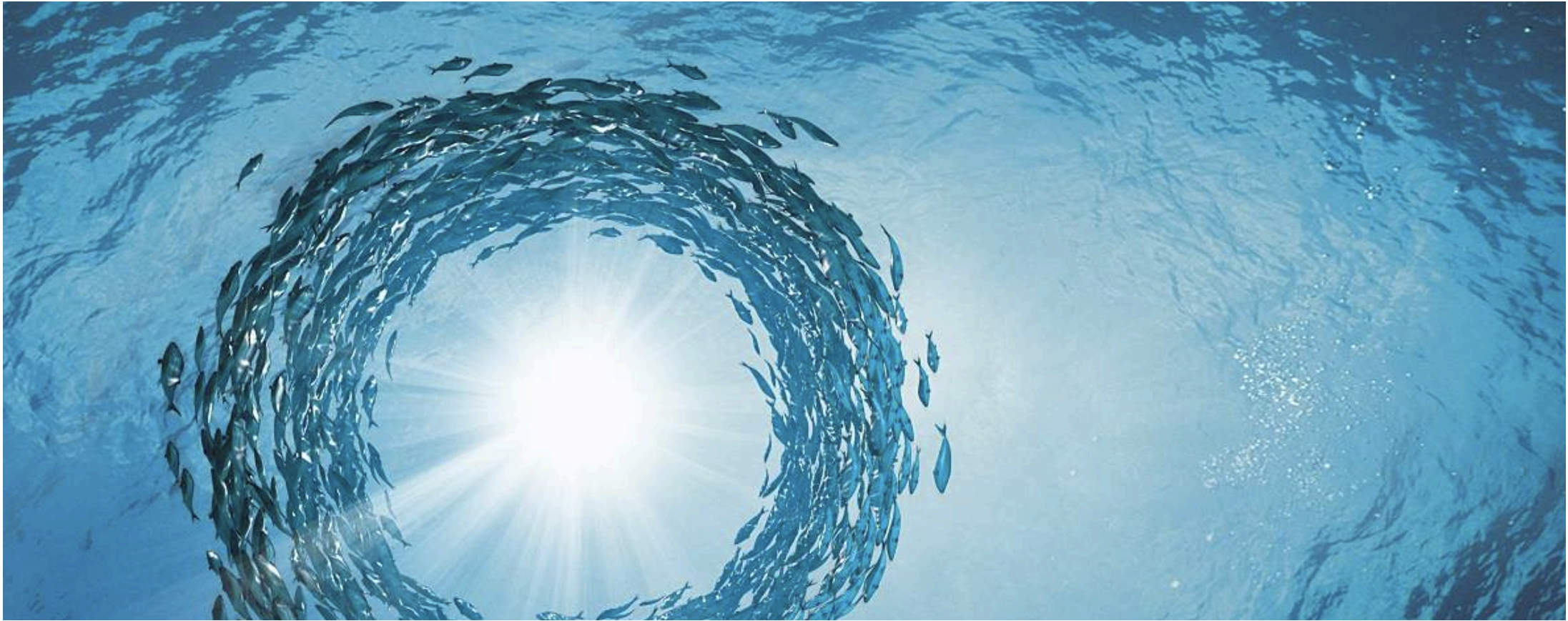# ORGANIZATIONS AS MECHANICAL

WORKERS AS 'RESOURCES'

"

[The official] is only a small cog in a ceaselessly moving mechanism which prescribes to him an essentially fixed route of march.

– Max Weber

CREATIVE WORK

ORGANIZATIONS AS LIVING ORGANISMS

WORKERS AS AUTONOMOUS AGENTS

"The fullest representations of humanity show people to be curious, vital, and self-motivated. At their best, they are agentic and inspired, striving to learn; extend themselves; master new skills; and apply their talents responsibly."

- Richard Ryan & Edward Deci, 2000

WHAT IS SELF-MANAGEMENT?

DEFINING SELF-MANAGING ORGANISATIONS AS SELF-ORGANISING

"

Organizations that "radically decentralize authority in a formal and systematic way throughout the organization"

1. Radical decentralization of authority
2. Formal system
3. Organization-wide

– Michael Lee & Amy Edmondson, 2017

THREE DIFFERENT TYPES OF "SELF-MANAGEMENT"

Self-management means that more autonomy and power is distributed to the employees.

This can mean many things:

1. Self-managing organizations / Self-organizing: Radical decreasing of hierarchical structures and supervisory positions

2. Servant leadership: Reshaping the roles of supervisors from controlling to coaching

3. Self-managing teams: The shift of within-team activities to be led collectively rather than by a supervisor

BUREAUCRATIC VS. SELF-MANAGING ORGANIZATIONS

	Weberian bureaucracy	Self-managing organizations
Basic structural arrangement	Hierarchical	Flat
Manager power over subordinates	Extensive	(Almost) non-existent
Decision-making power	Concentrated at the top	Radical decentralization

Source: Martela (2019): *What makes self-managing organizations novel?* Journal of Organization Design
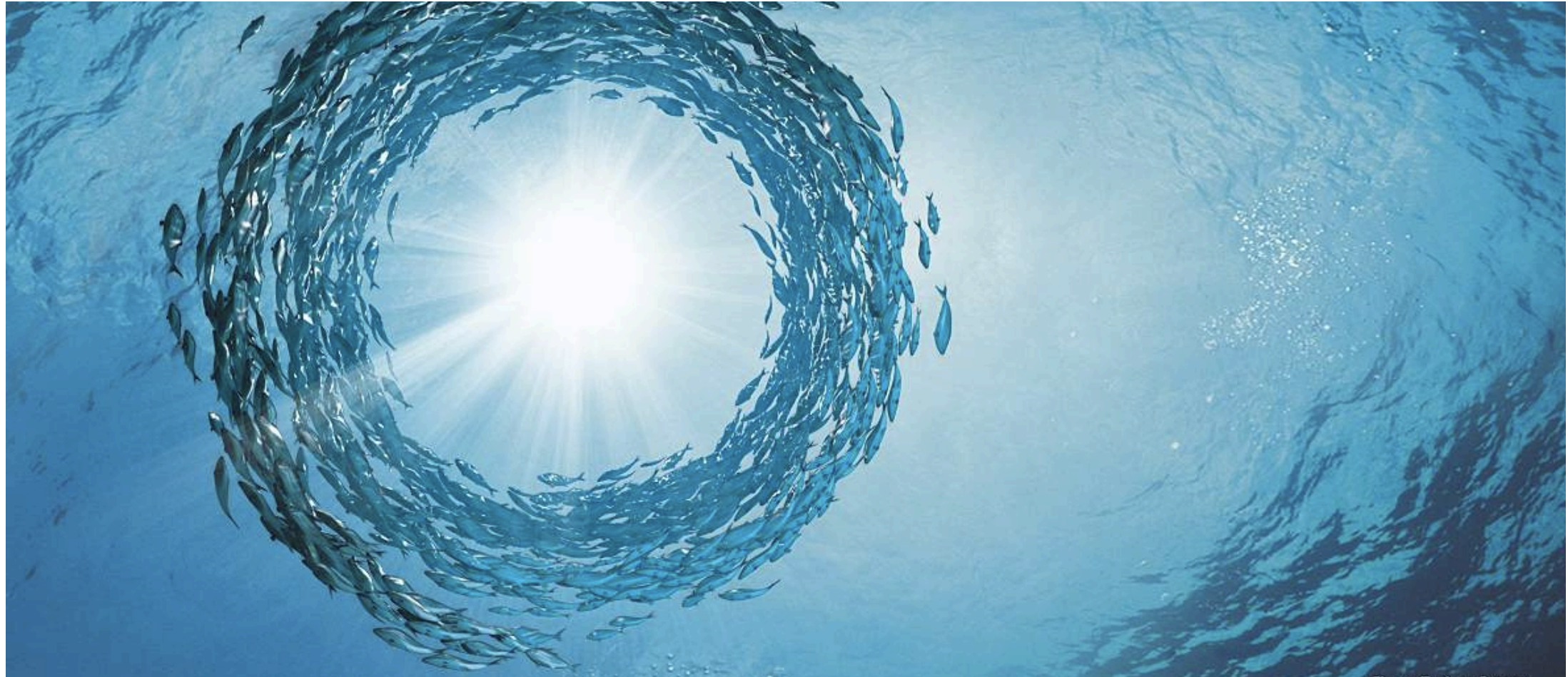
2 MYTHS ABOUT SELF-MANAGEMENT

MYTH 1: SELF-MANAGEMENT IS ANARCHY

STRUCTURE AND HIERARCHY

	Hierarchy	Autonomy
No structure	Autocracy	Anarchy
Rigid structure	Bureaucracy	Self-management

Martela, F. (2022). Managers matter less than we think: How can organizations function without any middle management? *Journal of Organization Design, Advance Online Publication*.

Removing supervisors / middle managers without new structures and practices to replace them is prone to lead to chaos.

Self-management does not mean *removing* structures, but *replacing* hierarchical structures with alternative structures
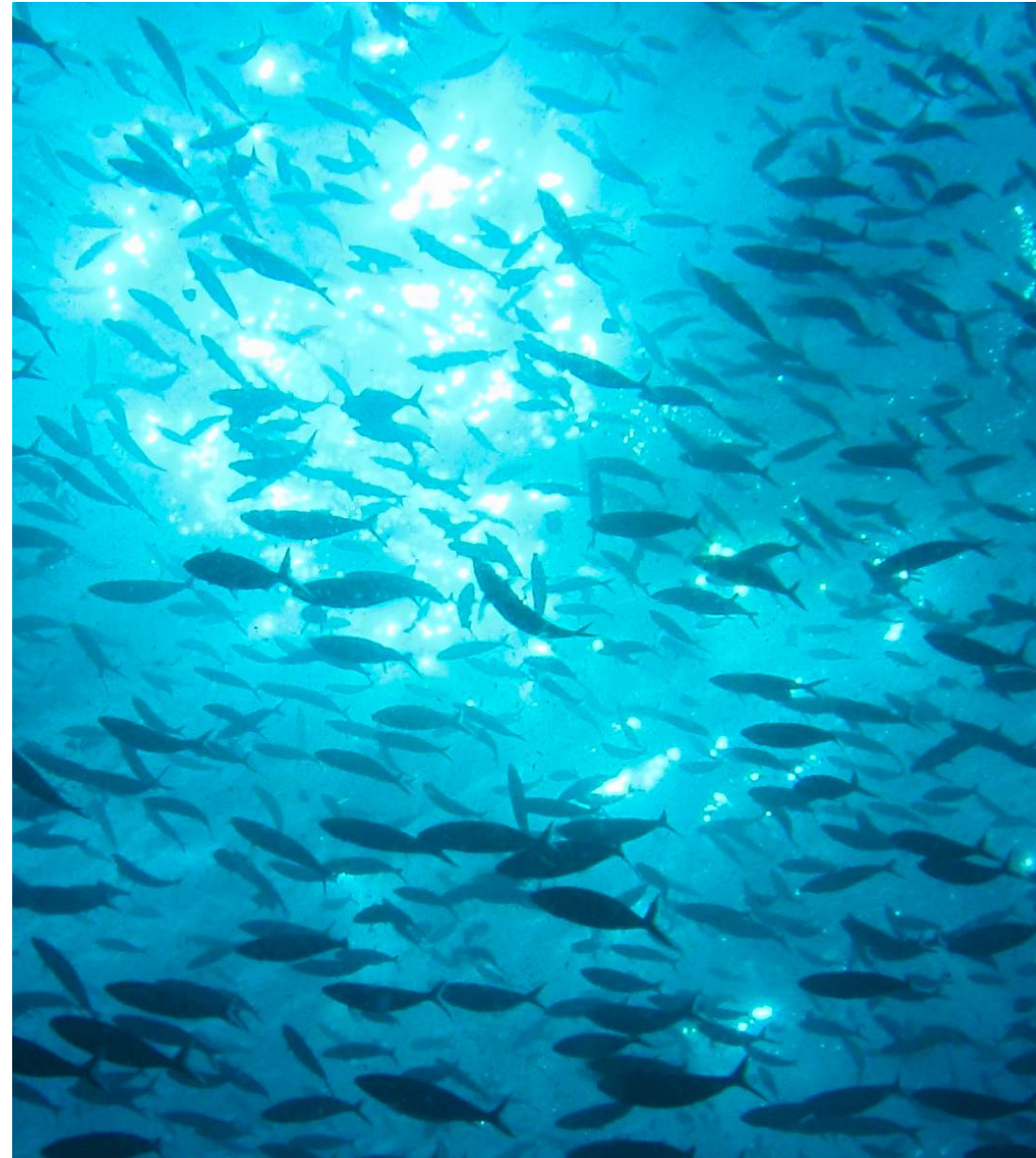
When the manager is no longer responsible for a task, this can't lead to a situation where nobody is responsible for it. Someone else (team, routine, program, dedicated person) must take responsibility for it.

MYTH 2:
TOO MUCH SELF-MANAGEMENT LEADS TO STRESS AND BURNOUT

PROMISE OF ENGAGEMENT VS. THREAT OF BURNOUT

Advocates of self-management see it as

1. A source of motivation and engagement

2. As supporting the well-being of the employees

3. Supporting psychologically safe and committed team atmosphere

Critics of self-management see it as

1. A source of stress and confusion for the employees

2. As increasing the risk for burnout

3. Leading to individual effort without collaboration

PROMISE OF ENGAGEMENT VS. THREAT OF BURNOUT

- Nationally representative survey of Finnish 18-65 years old workers

  - Respondents chosen to represent the whole working age population

- N = 2000 + Follow-up of N = 400

- Measuring

  - Work engagement

  - Work meaningfulness

  - Exhaustion and burnout

  - Demographics (age, gender, etc)

  - Characteristics of the organization

- Employee self-management

  - Execution rights

    - "I can be proactive at work and make independent decisions regarding my work"

  - Direction-setting rights

    - Reverse item: "Work tasks and goals come from above and we can't influence them ourselves"

  - Organizational developmental rights

    - "When my team or I have an idea about improving work, we can move it forward and it usually leads to change"

- —> Measures how much the employee experiences that they have the power to make decisions concerning their own work

EMPLOYEE SELF-MANAGEMENT & WELL-BEING

Higher experience of self-management is connected to higher experience of work engagement and recovery and lower experience of stress and burnout
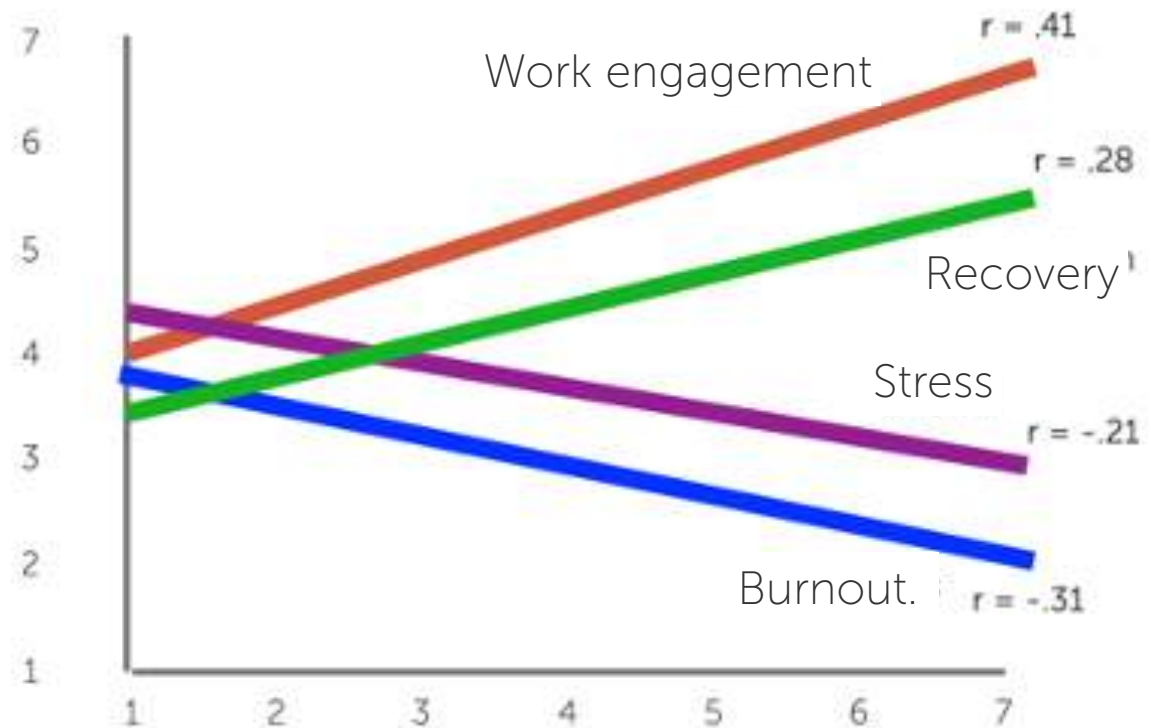
SELF-MANAGEMENT AND WELL-BEING

1. Autonomy and power strengthens motivation and well-being

2. The ambiguity of responsibilities and goals weakens motivation and well-being

WHY ARE MANAGERS NEEDED ANYWAYS?

MANAGERS FULFIL CERTAIN FUNCTIONS NECESSARY FOR EFFECTIVE ORGANIZATIONAL PERFORMANCE

FUNCTIONAL VIEW OF MANAGEMENT

<u>Fayol 1918:</u>
Elements of management

- Planning
- Coordinating
- Commanding
- Controlling

<u>Mintzberg 1973:</u>
Managers 10 roles

- Figurehead
- Leader
- Liaison
- Monitor
- Disseminator
- Spokesman
- Entrepreneur
- Disturbance handler
- Resource allocator
- Negotiator

**SHIFTING THE FOCUS
FROM
"WHAT LEADERS SHOULD DO"
TO
"WHAT NEEDS TO BE DONE FOR EFFECTIVE PERFORMANCE"
- HACKMAN & WALTON, 1986**

THE TEN FUNCTIONS OF MANAGERS

Task-oriented functions	**Task setting and resourcing**	Setting goals and directions Staffing Budgeting & resourcing
	Task execution	Decision-making Coordination Disturbance resolution
	Performance assurance	Oversee Control Feedback Reward
	Information distribution	Acquiring Sensemaking Distributing
Systems-oriented functions	**Organizational change & development**	Strategy development Developing structures & practices Encouraging change
	External interaction	Monitor Network Represent
	Culture building	Cultivating purpose & values Guiding the atmosphere Building togetherness
People-oriented functions	**Cultivating motivation**	Empowering Motivating Recognizing
	Supporting well-being	Emotional support Well-being monitoring Conflict resolution
	Developmental support	Supporting learning & competence Supporting career development Supporting team development

A FINNISH ICT COMPANY WITH 500+ EMPLOYEES BUT NO MIDDLE MANAGERS

TASK-ORIENTED FUNCTIONS IN A SELF-MANAGING ORGANISATION

- **Task setting and resourcing**
  - Agile team practices, Customer-directedness
- **Task execution**
  - Agile team practices, Advice process, Shared responsibility
- **Performance assurance**
  - Within-team monitoring, customer collaboration, salary committee
- **Information distribution**
  - Asking from colleagues, Slack, transparent information

PEOPLE-ORIENTED FUNCTIONS OF MANAGERS IN A SELF-MANAGING ORGANISATION

- **Supporting well-being**
  - Peer support, training people to take that role, encouragement to ask for help, surveys & HR team
- **Developmental support**
  - Project-based learning & rotation, mentors and coaches, Internal and external tranining communities of practice, development talks, project rotation
- **Cultivating motivation**
  - Self-direction motivates, recruitment priority
- **Organizational development**
  - People driving issues, Slack, emergence

SYSTEMS-ORIENTED FUNCTIONS IN A SELF-MANAGING ORGANISATION

- **Organizational change & development**
  - No explicitly strategy, organic development, experimental 'make it happen -culture, participatory decision-making
- **External interaction**
  - Each team responsible for their customer, no clear figurehead
- **Culture building**
  - Embedded in ways of working, recruitment priority, Stepping in to address deviations, many informal gatherings

SYNTHESIS: HOW WERE MANAGERS REPLACED?

- Self-managing teams
- Shared practices
- Dedicated supportive roles
- Upholding a shared culture

SYNTHESIS: HOW WERE MANAGERS REPLACED?

- **Self-managing teams**
  - Highly autonomous teams took responsibility for task setting, resourcing, execution and performance assurance
  - Setting goals and priorities in direct interaction with the customer
  - Team assisted by various agile team practices such as Kanban boards & 15 min dailies
  - Within-team emergent leadership roles tended to appear

SYNTHESIS: HOW WERE MANAGERS REPLACED?

- **Shared practices**
  - Advice process
  - Make it happen –attitude
  - Communities of practice and various regular gatherings
  - Developmental talk format
  - Non-violent communication training for conflict resolution

SYNTHESIS: HOW WERE MANAGERS REPLACED?

- **Dedicated supportive roles**
  - Project staffing done by client managers
  - Coaches supported team development and individual well-being
  - Internal mentors supporting in career and competence development
  - Salary team negotiated the salaries
  - HR team ready to step in to help with tough interpersonal or well-being issues

SYNTHESIS: HOW WERE MANAGERS REPLACED?

- **Upholding the culture**
  - Emphasizing responsibility, self-management & collaboration
  - Key recruitment priority
  - Organic growth instead of acquisitions

SYNTHESIS: WHAT WAS NOT REPLACED?

- **The company still had top management & HR team**
  - Taking care of strategic level decisions (although aiming to do this in a participatory manner)
  - Ultimate arbitrators of various conflicts, problems, and decisions not resolved at lower levels
- **The nature of the work made certain functions less relevant**
  - Low interdependencies between teams —> No need for dedicated solutions for information distribution, decision-making etc.

DESIGNING ORGANIZATION: WHEN TO GO FOR MORE SELF-MANAGEMENT?

1. Employees: When more motivated and competent

2. Work: When less interdependencies

3. Product: When more tailored

4. Environment: When changes faster

"Sometimes I wonder, which organization is better: The one that does exactly what the CEO asks them to do - but nothing else.

Or the one, which accomplishes many great things, but doesn't always do what the CEO wants.

In the end, I always choose the responsible and autonomous organization..

-Tuomas Syrjänen, CEO of Futurice, 2018

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THANK YOU!

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