



**Aalto University**  
School of Business

# **THE ROLE OF THE C-SUITE IN A SELF-MANAGING ORGANIZATION**

Bachelor's Thesis  
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### Abstract

Self-managing organization (SMO) is an organization form that is based on the decentralization of authority. The C-suite or the top management team has the highest executive decision-making power in an organization. This study searched to answer the question, what is the role of the C-suite in a SMO. First, the role of the C-suite is studied on a general level. The composition of the C-suite reflects the values, the focus points, and the working culture of the organization. The C-suite is responsible of the strategy process. In addition to the strategy content, the C-suite decides on the level of involvement of employees and how the strategy is implemented. Depending on the organization, the C-suite can take a role that is more managerial or more focused on leadership.

Researchers have defined three criteria for a SMO. They are having radically decentralized authority, a formal system and having them adapted organization wide. When a SMO is successfully implemented it can increase employee intrinsic motivation and productivity. Meeting boundary conditions such as a highly customized product increases the probability of a successful implementation. SMOs are flat organizations that can replace the managers by having motivated employees capable in leading their own work and by creating formal systems e.g. for rewarding.

Eventually, the C-suite is responsible for making the high-level decision like the organization form. By having a broad view to the organization's history, current state and future, the C-suite can analyze the suitability and the degree of self-management to the organization. The C-suite is responsible for setting the direction for the organization, this applies also for SMOs. However, the employee involvement level in strategy process can vary. By listening to the employees needs and concerns and by analyzing the business side, the C-suite can create structures that support self-management. To help the self-managed team to work efficiently and effectively, a coaching system can be introduced.

SMOs benefit from having a team responsible for high-level decision. Being actively present in everyday working e.g. as coaches can help the organization to perform better and the C-suite to analyze the organization's current state. Issues to pay attention to are the suitability of the current organization form, how well the structure supports the organization form and the development of the business.

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**Keywords:** C-suite, self-managing organization, Holacracy, leadership, management, support, autonomy, motivation, strategy

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## 1. Introduction

Self-managing organizations (SMOs) have garnered increasing attention from both researchers and the business community. In contrast to conventional highly hierarchical organizational structures, such as the functional organization form, SMOs possess the capacity to swiftly respond and adapt to dynamic environments. Furthermore, the employees within SMOs tend to exhibit higher levels of dedication and contentment, largely attributed to the greater autonomy they enjoy (Martela, 2019). These distinctive characteristics render SMOs an intriguing organizational model. Nevertheless, for SMOs to effectively operate, a comprehensive transformation in work practices and processes is necessary for all employees, including top-level executives.

One of the basic principles of a self-managing organization is that its employees are self-managed, and the organization is flat. This means that there is no or at least as little as possible managers. However, management shouldn't be confused with leadership. Despite the ideology of "firing all the managers" self-managing organizations most of the time have a CEO accompanied by the other top management positions forming together the so-called C-suite. According to Martela (2023) bigger organizations need a person or a team that oversees the entity and who can ensure that the necessary high-level decisions are made.

This study aims to answer the question "what is the role of the C-suite in a self-managing organization?" What makes the question interesting is the possible contradiction between the core values of self-managing organization and the traditional features linked to C-suite working. The topic raised my interest while I learned simultaneously more about SMOs and leadership. I tried to find articles linked to the role of the C-suite, but I came to realize that very little research was done on this topic. I decided to gather information about C-suite working and SMOs separately and then combine my findings.

I started by studying the composition and the purpose of the C-suite in a general level. Then I concentrated on the philosophy behind self-managing organization and how

management is viewed in the literature studying SMOs. The greatest insights to the ideology and practicalities of SMOs came from the articles by Martela (2019 and 2023) and Lee & Edmondson (2017). After better understanding the ideology between the function of the C-suite and having SMO as an organization form, I searched from the literature, what kind of discussion can be found on the leadership of SMOs.

At the center of my interest are organizations. The idea of organization doesn't need to be limited only to a business context since organizations can be found in many different contexts. What is in common with all the organizations is that there is more than one person, in a system with boundaries, having a shared goal or purpose functioning so that individual contributions are coordinated. The basic tasks of an organization are task division, task allocation, provision of rewards and provision of information. (Puranam et al., 2014)

In this study the term organization is used to describe a company. The organization covers the entire company, not solely one business unit. This same logic applies to self-managing organizations. To be defined as a self-managing organization, the entire company is self-managed, not only some teams.

Organizations are typically lead in several different levels. In general, the top-level management is done by the so-called C-suite, which is the executive team of companies. Another term employed is the Top Management Team (TMT). The term C-suite comes from titles of its members that all start with Chief for example Chief financial officer (CFO). The leader of the C-suite is the Chief Executive Officer (CEO). The C-suite reveals more about the organization than just persons in top of the company. The way the C-suite works reflects to the company's organizational structure, strategy, activities and to its resource allocation. (Guadalupe et al. 2014)

A common task for the C-suite is direction setting through the organization's strategy. Looking at the strategy forming and implementing process is one of the possible approaches to this question. To have a truly self-managing organization, according to the principles of SMOs, the employees should be involved in the strategy process (Martela, 2019). In functional organizations, the C-suite are strongly showing the direction and employees might not be involved in the strategy process at all. In an SMO, how big a role can the C-suite take or is their task more to be the facilitator of this process? And what about implementing the strategy?

Another point of view is the power relations in SMOs. Even in a flat organization, the C-suite is above the average employee. The difference of having power over and power with someone first used by Mary Parker Follett has been employed by several scholars even in recent publications (Berger, 2005; Pansardi & Bindi, 2021; Abizadeh, 2023). In a situation where a manager has power over an employee, the manager sets the targets to the employee. Whereas if in the same setting the manager has power with the employee, they set the targets together in a way that they are advantageous for all the stakeholders (the organization included). In a managerial hierarchy, the C-suite have mostly power over the employees. However, to give the best possible kind of support to the employees, should the amount of power over be limited? How could the C-suite change their position to have power with the employees?

This study shows the importance of the C-suite also in self-managing organizations. However, from some parts the role of the C-suite might slightly differ in a SMO compared to a managerial hierarchy. The C-suite oversees the higher-level decisions like the organization form of the organization. In addition to the role of the decision-maker, the C-suite members can work as coaches for the self-managed teams.

## **1. The role of C-suite in organizations**

### **1.1 The composition of the C-suite**

The short definition of the C-suite, derived from Guadalupe et al. (2014), is all who are directly responsible for the CEO. The composition and the size of the C-suite can vary. Often larger organizations have also a bigger C-suite. Typical roles in the C-suite are the Chief executive officer (CEO), Chief operating officer (COO), Chief financial officer (CFO), Chief marketing officer (CMO), Chief human resources officer (CHRO), Chief compliance officer (CCO), Chief information officer (CIO) and/or chief technology officer (CTO). Berger and Reber (2006) states that the composition of the C-suite should support the current state of the organization. However, the composition can get stuck to be similar than what it was when the company was still new. According to Sørensen (2020) the composition of the C-suite represents not only the organizational

workforce but also characteristics of the human resources and company culture. (Sørensen, 2000)

The composition of the C-suite reveals what is valued. It is a peak to the hierarchy of the company and to the focus of the business. An aspect to study in the composition of the C-suite is its versatility through the roles, profiles and backgrounds each C-suite members have. Both heterogeneity and homogeneity have its pros and cons. (Beckman & Burton, 2011)

The first thing to consider is the roles in the C-suite. According to Beckman and Burton (2011) heterogenous C-suites perform better especially on turbulent environments. When C-suite members have similar kind of roles (general managers (GM) of country business units) they are more likely to be competitors than to cooperate. Each GM would want to have the maximum amount the scarce resource which is the time and interest of the CEO and other supporting functions. Variation in the roles enhances cooperation which is especially important when facing uncertainty. However, when there is a lot of variation in roles, the C-suite members might be left too much alone with their responsibilities. (Beckman & Burton, 2011)

In addition to the roles in the C-suite, it also matters, who is occupying them. Diversity is one thing to consider. This is supported by Finkelstein, Hambrick and Candella Jr (2009) who stated that the quality of decisions increases with wider knowledge and resources brought by diversity. As a downside, diversity tends to bring more conflict and disruption. When studying the diversity of the C-suite, it makes more sense to look at the functional background diversity than just the functional diversity that comes from the roles. The functional background diversity refers to the background such as education and work experience. If all the C-suite members have the same narrow background, the benefits of the diversity are not utilized. (Beckman & Burton, 2011)

The gender balance of the C-suite might also affect the position of women throughout the company. Cohen et al. (1998) found a positive correlation between having women in high-ranking positions and the promotion of all the women in company. In their study they brought up a relevant question of “how can women gain entry to these positions?”(Cohen et al, 1998, p.771) Aiming towards gender diversity at all the levels of the organization can have a positive correlation to the financial performance of the company. In their study based on a large sample of business unit, Badal and Harter

(2014) concluded that business-unit shaving a higher gender-diversity performed better on the financial measures.

## **1.2 Direction setting and making higher-level decisions**

As mentioned in the introduction the top-management is needed to make the necessary high-level decisions (Martela , 2023). Decision-making is also a form of power the C-suite can execute. To make optimal decisions, Ellis and Shockley-Zalabak (2001) suggest that the C-suite should have a profound and truthful view on the current state of the organization. Therefore, one important task for the C-suite members is to create structures that enable a sufficient and righteous information flow all the way to the C-suite. IT-systems that collect and save data helps to analyze the performance of the organization. However, data can be misleading. The voice of the employees should also be heard. A culture of trust and no-blame help in capturing the real feelings of employees (Ellis & Shockley-Zalabak , 2001).

The direction of the organization is set in the organization strategy. Porter (1996) defines strategy formation as “deliberately choosing a different set of activities to deliver a unique mix of value ”(p.39). The C-suite has the main responsibility in deciding, how the strategy process is executed. The C-suite can decide to what extent employees outside of the C-suite are involved in the process. Often the C-suite also have the last say in the content of the strategy.(Bernstein et al. 2016)

The strategy process does not stop once the strategy is formed. Implementing the strategy is often considered to be significantly more challenging. Argenti (2017) studied the strategic communication of the C-suite especially from the point of view of the strategy. His key findings were:

1. A clearly articulated strategy that is consistently implemented is important.
2. Company culture is central in the execution of the strategy. The culture of trust needs to be built before the crisis.
3. The top management needs to be present and deliver messages personally.

So ideally the C-suite is composed of easily approachable leaders that first create and maintain a desired organizational culture, then they form a strategy with a clear and consistent message that they deliver personally.



### **1.3 The balance between leadership and management**

One of the synonyms for the C-suite is the Top Management Team but it can also be referred as the Leadership team (Miles & Watkins, 2007). However, management and leadership are not synonyms. According to the definition of Maccoby (2000): “Management is a function that must be exercised in any business, whereas leadership is a relationship between leader and led that can energize an organization.”(p.57) The role of the C-suite can be anything from very management centric to very leadership focused. Few factors affecting the intentional or unintentional shaping of role of the C-suite are the company size, the current state of the company, the type of business, the business environment, and the desired organization culture.

Martela (2023) analyzed that very managerial leader roles are best fitted to industries that are predictable and have a low level of customization. If the C-suite chooses to be managerial, one thing to consider is to ensure that they won't become the bottleneck of decision-making. In general, when the company grows, the role of the suite tends to direct towards leadership.

Leadership may be more complicated to achieve than management. Leadership is often viewed through influence. Berger and Reber (2006) wrote “influence means having a voice, being listened to, and being heard when seated at the table” (Berger & Reber, 2006, p.18). Argenti (2017) approached the definition of a leader through the strategy process. He suggested that an organizational strategy is developed and executed by the leader by using management of people and communication.

Another point of view covered by Martela (2023) and Neil (2015) is to study leadership through ones substitutability. Great leaders are often seen as irreplaceable. There are examples of organizations that have suffered greatly from the loss of a leader (Martela, 2023). Neill (2015) suggests that a possible measure for power is to estimate one's non-substitutability. In addition to the non-substitutability, Neill links the power associated with leader with the ability to cope with uncertainty. For the employees, a top management team that can handle ambiguity can relieve stress. Schweiger and Denisi (1991) focused on the reactions of employees facing a merger. They found that uncertainty was the number one cause stressing employees and organizations.

## **2. The characteristics of a self-managing organization**

### **2.1 Defining a self-managing organization**

When studying SMOs one should define, what is meant with the term employed. In their article where Lee and Edmondson (2017) attempt to better understand the characteristics of SMOs, they criticize some practitioners for the ambiguity of their definitions. To bring some clarity to the jungle of definitions, they approached the definition of SMO by defining three characteristics that an organization must have to be defined as a SMO. The three components of the definition are “(1) radical decentralization of authority, (2) a formal system and (3) being organization-wide”(p. 31).

This definition was later adapted by Martela (2019). He justifies that the definition of Lee and Edmondson (2017) highlights the complete adaptation of the distribution of decision-making power. Autonomy must be systematic and applied to the entire organization. If autonomy is only applied at a team level, we have self-managed teams but not an organization (Martela, 2019).

There are misunderstandings concerning SMOs. To bring clarity to the situation, it can be useful to define, what SMOs are not. Bernstein et al. (2016) listed that SMOs are not without organizational structure; all the decisions are not made with democratic voting nor is hierarchy non-existing. In SMOs hierarchy exists through project and team structures. However, if the principles of SMOs are followed the hierarchical roles should not be fixed. (Bernstein et al. 2016)

The definition of Lee and Edmondson (2017) covers several critical aspects of SMOs and therefore, in this literature study, I will adapt this same definition. In addition, I will follow the example of Lee and Edmondson (2017) and Martela (2019) in treating SMO and Holacracy as synonyms since Holacracy is one of the terms often employed when discussing about companies that have adopted a self-managing organization. Robertson (2015) mentions that the term Holacracy was first used by the software company Ternary. They develop their organization to be self-managing and created a formalized system (processes, tools etc.) that could be adopted by other companies. As a term SMO is slightly wider than Holacracy that refers to the organizations that base

their self-managing systems to the system created by Ternary. However, the core idea is the same in a SMO and in a Holacracy.

The discussion around SMOs is particularly sensitive when it comes to terminology. Wrong usage of terms and unclear definitions can lead to confusion. There are some terms describing less-hierarchical organizations which have some same features as a SMO, but they also differ in some crucial parts. To demonstrate the differences between SMOs and other types of less-hierarchical organizations, Lee and Edmondson (2017) conducted a literature review, where they analyzed with keywords different types of less-hierarchical organizations. With the help of the keyword analysis, they came up with three categories: post-bureaucratic organizations, humanistic management, and organizational democracy. I want to highlight the differences between the different terms, to help the reader to understand more in detail, what a SMO is and what not. Also, the findings of this study might partly apply to other less-hierarchical organization forms if the limitations of application are recognized.

Lee and Edmondson (2017) concluded that post-bureaucratic organizations are a wider definition that includes the SMOs but that covers also other organizational forms that are not SMOs. The main idea behind the post-bureaucratic organizations is to achieve a more flexible and dynamic organization capable of knowledge creation and innovation that will be better adapted to the quickly changing environments. For example, the platform companies like Uber can be considered a post-bureaucratic company but it is not a SMO. (Lee & Edmondson, 2017)

Humanistic management aims to maximize the intrinsic motivation of employees. Letting employees to manage themselves helps to utilize the power of intrinsic motivation. (McGregor, 1960). The benefit of humanistic management is the improved individual experience at work. This result was supported by several studies encountered by Lee and Edmondson (2017) in their literature review. Humanistic management does not aim at demolishing the hierarchical structures of managerial hierarchy but to soften its edges. (Lee & Edmondson, 2017)

In organizational democracy democratic practices such as voting are used for decision-making. Scholars have differing views in what extent democracy is used so that the organization can be defined as democratic. Organizational democracy has hierarchy, but posts are filled by a democratic election. (Lee & Edmondson, 2017)

## **2.2 The intended benefits and challenges of a self-managing organization**

The core philosophy of SMO is decentralized decision-making (Martela, 2019). Both Bernstein et al. (2016) and Lee and Edmondson (2017) suggest that empowering employees helps to use their full potential in challenging working environments. Martela (2023) states that self-management is especially well-fitted for companies that value adaptability over reliability. Bernstein et al. (2016) estimate that self-management is the best fit for companies that work in quickly changing environments, where adaptability pays-off and mistakes are not catastrophic.

Lee and Edmondson (2017) highlight that all the intended benefits can be deployed only when all the three characteristics of a SMO occur. To have an overview to the effects of the characteristics, the main benefits and challenges of each characteristic are first explained and then listed in the table below (Table 1).

The benefits of the radical decentralization of authority are an increase in the employee intrinsic motivation due to an increased employee empowerment (Lee & Edmondson, 2017). Also, the quality of decisions might improve since they are made closer to the source of the problem (Martela, 2019). When decentralizing authority, some challenges might occur. The increased decision-making power of all the employees might be a challenge for directing the organization towards the goals defined in the strategy (Bernstein et al,2016). In addition, employees that are used to work in a hierarchical structure can find the flat organization and its roles ambiguous (Martela, 2019). Employee confusion can lead to a situation where the decentralization of authority is only superficial. Instead, an unofficial and uncontrolled hierarchy develops within the organization and works against the decentralization of authority.

A formal system in a SMO is partly answering the challenges surfacing from the decentralization of the authority. The formal system work as guidelines for the employees and intends to clarify roles and give mandate to make decision that serves the company's strategy. Martela (2019) states that a formal system is one of the tools used in SMOs in reducing the number of managers, since many of the managerial tasks can be replaced by a jointly defined procedure. A formal system adds consistency, transparency and helps to build trust in the organization and its systems. Audrin et

al.(2023) discovered some challenges linked to a formal system. Especially in a situation where a previously rather unorganized company decides to become a SMO, the employees might view the formal system as too bureaucratic. The challenge is to create a formal system that corresponds to the needs of the organization or otherwise its implementation might face significant resistance.

Being organization-wide is the third characteristic of a SMO. Martela (2019) believes that adapting self-management throughout the organization is together with the formal system building a feeling of equality and transparency among the employees. Having the entire organization working according to the same principles adds stability and consistency. Creating a clear and fair formal system with employees working according to different principles is complicated. However, it can be challenging to create such a system that also the top-management would be included. Also, adapting a new system to the entire organization is a significant financial decision.

Table 1 : The benefits and challenges of characteristics of a SMO (Martela, 2019)(Bernstein et al, 2016) (Lee & Edmondson, 2017)(Audrin et al.,2023)

<b>Characteristic</b>	<b>Benefits</b>	<b>Challenges</b>
Radical decentralization of authority	<ul style="list-style-type: none"> <li>• Employee empowerment increases.</li> <li>• An increase in intrinsic motivation.</li> <li>• Decisions are made closer to the source of the problem.</li> </ul>	<ul style="list-style-type: none"> <li>• Untraditional roles can lead to confusion.</li> <li>• Decentralization might be superficial.</li> <li>• The direction of the entire company less controlled.</li> </ul>
A formal system	<ul style="list-style-type: none"> <li>• Gives the employees a direction and a mandate to make decision following the common rules.</li> <li>• Allows to reduce the number of managers</li> <li>• Adds transparency and reduces ambiguity.</li> </ul>	<ul style="list-style-type: none"> <li>• The formal system needs to correspond to the needs of the organization.</li> <li>• The formal system can feel bureaucratic.</li> </ul>

Being organization-wide	<ul style="list-style-type: none"> <li>• Creates a feeling of equality and transparency for the employees.</li> <li>• Adds consistency in the working.</li> </ul>	<ul style="list-style-type: none"> <li>• All the employees must adapt to the system, also the top-management.</li> <li>• Implementation is slower and more costly.</li> </ul>
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To summarize the content of Table 1, one could say that in a SMO all the employees should be able to make the decisions that are relevant for their work and beneficial for the company. The decision-making process needs to be formalized so that there wouldn't be any ambiguity in it. In the worst case without a formal process, someone in a higher position could start questioning and directing the decision-making of someone on a lower level, which would damage the autonomy. An employee that feels that the autonomy is endangered might not try to find the optimal solution for the company but to find a solution that pleases the person occupying the higher-level position. (Martela, 2023)

However, the difficulty lies in creating a formal system that feels relevant and can be applied to the entire organization. A formalized system that has for example too many layers of complexity is highly likely to fail in the implementation and adaptation phase. (Audrin et al 2023)

### **2.3 Management in a self-managing organization**

Even though the SMOs don't have a hierarchical management system based on title, it doesn't mean that management is not present. Martela (2019) argues that in SMOs management takes a different form. Organizations aims to answer six universal problems, that are all linked to management. The six problems are (Martela, 2019):

1. Task division
2. Task allocation
3. Rewarding desired behavior
4. Eliminating freeriding
5. Direction setting
6. Coordination of interdependent tasks

Martela (2019) describes in his article, how SMOs can solve all these problems without involving middle-management. The first two tasks are task-oriented and in SMOs giving employees more responsibility, will in ideal situation lead to employees finding new tasks themselves and choosing the people executing them according to motivation and available resources. IT-systems offer a great help in making the task-oriented tasks efficient and transparent.

Rewarding desired behavior and eliminating freeriding are people-oriented tasks. One of the most important intended benefits in having a SMO is to increase employee well-being and motivation. A SMO aims to increase the level of intrinsic motivation of its employees. Intrinsically motivated workers are less likely to freeride and give less value for the extrinsic motivation such as the monetary compensation. In SMOs a reward system is often based on peer evaluation. (Martela, 2019)

The last two tasks, direction setting, and coordination of interdependent task are linked to providing information. Martela (2019) suggests that the direction comes from the top-management, but the direction is so well-formulated and transparent so that all employees can make decisions that are in line with the direction of the organization. The same apply for information sharing between teams. When the teams constantly communicate with each other and a maximum amount of information is available for all employees, can the organization work efficiently.

So based on Martela's (2019 and 2023) findings, SMOs can function without middle-managers and that employee empowerment leads to better results. The finding is in line with Lee and Edmondson (2017), who stated that in a typical managerial hierarchy the managers have the last word in all the areas of the work. They have the power to decide on the projects, resources, performance evaluation, trainings, and work contracts. Some of these responsibilities might be distributed to the sub-ordinates but the manager has the possibility at any moment take away the responsibility. In a typical managerial hierarchy, the temporary nature of the decentralization of the decision-making causes troubles. When the decision-making power is not granted, the sub-ordinates are prone to make decisions that please the manager. In some cases, it might not be the decision that would have best served the company.

### **3. The role of the C-suite in self-managing organizations**

#### **3.1 Analyzing the suitability and degree of self-management to the organization**

The organization form draws the guidelines for the working. The organization form can change over the years to better correspond to the needs of the business and the employees. The C-suite should have an overview to the organization history, current state, and the future direction. Based on this information, the C-suite should analyze, what organization form is best suited for the current and for the future situation. (Martela, 2023)

Despite the benefits, choosing self-managing organization as the organization form requires careful analysis on whether they outweigh the costs. Martela (2023) lists three boundary condition that increases the probability to have a well-functioning SMO. The first boundary condition is the employees' capability to lead themselves. Work predictability and degree of standardization is the second boundary condition. The more standardized and predictable the work is, the easier it is to use managers to optimize the entity. SMOs are better suited for tailor-made solution versatile environments. The third boundary condition is linked to the interdependencies of the teams. SMOs are better suited when the degree of interdependencies between teams is low.

The degree of self-management can vary from one SMO to another. An important role for the C-suite is to define, how self-managed the organization is. Self-management can be understood and executed in several different ways as the examples of Valve and Zappo's show. Zappo's defines itself as a Holacracy, but it is not pure self-management at least not by the definition of Lee and Edmonson (2017). Zappo's is not systematically decentralizing authority since employees do not participate in forming the firm's strategy nor are they participating in personnel and performance management. By contrast, Valve has decided to go all the way with self-management and has fully decentralized everything from work execution to firm strategy. (Lee & Edmondson, 2017)



To be able to successfully decentralize all authority it requires, as Martela (2023) highlights, the right kind of conditions. However, if degree of decentralization stays very low, the organization is not a real SMO and cannot assume to have the benefits associated to SMOs (Martela , 2019).

### **3.2 Defining company direction**

Companies benefit from having a strategy and SMOs are not an exception to this. However, the strategic planning process might need to be different in SMOs compared to managerial hierarchies. This is not always understood when defining the strategy. Robertson, the cofounder of Holacracy, explain in his book (2015) that defining clear outcomes in the strategy easily directs the SMO in the wrong direction. Instead, the strategy should be composed of rules of thumbs that help to guide employees to prioritize right things. (Robertson, 2015)

Martela (2023) highlights that somebody needs to take the responsibility of decision-making process of the higher-level decisions. Deciding the type of the strategy planning process implemented is one of the tasks that the belongs to the C-suite.

Bernstein et al. (2016) criticizes that despite the strategy, SMOs are lacking the overview that managers have in managerial hierarchies. Even though teams in SMOs have a clear view to their own function and product, they might be not fully aware of the work of all the other teams. This might lead to a situation where all the teams optimize their own work but an opportunity to profit from the cooperation with other teams might go undetected since it might lead to situation that would not be the optimal solution from the point of view of single team. This kind of situation might occur for example when negotiating about supply deals with other companies. If the teams would have joined their forces and could have this way offered a more important supply possibility, could the price have been cheaper, and another supply partner could have been selected. The company size and type of business effects the occurrence of this kind of situation. The bigger the company is, the more likely it is to profit from centralizing some of the cooperation and subcontracting agreements. (Bernstein et al, 2016)

### **3.3 Responding to the needs and concerns of employees**

A part of the forming a truthful view on the organization's current state is recognizing the employees' needs and concerns. Especially important this is when the organization is facing changes, like changing the organization form to SMO. Audrin et al. (2023) studied through questionnaires and interviews, how the employees felt just before adopting a SMO. The expectations were that the new organization form would bring clarity to tasks, clarify the roles, improve communication, and add transparency. The employees hoped that SMO would allow preserving the company culture where the work is done by teams without managers. (Audrin et al. 2023)

The employees also raised some concerns. They were worried that they will lose their freedom and independence and be constrained by bureaucratic-like procedures. The employees were also worried that the change can stay superficial and not be truly adapted e.g. the organization will seem flat but in reality, it is always the same employees having the loudest voice that will have their say. They also mentioned the risk that the power will be concentrated to the employees working as links between teams. (Audrin et al. 2023)

To tackle the concerns and make the implementation of SMO more efficient Audrin et al.(2023) recommend that the top-management should address the concerns linked to the loss of autonomy by communicating actively and letting employees ask questions and have trainings already before the implementation of SMO. This helps to reduce the inefficiency that will occur when the new way of working is implemented.

Other recommendation Audrin et al.(2023) presented are linked to making a clear and customized vocabulary for the organization, having a platform where the roles are defined and convincing the employees of the benefits of the change with a clear and consistent message.

After recognizing the needs and concerns in the case example of changing the organization form the C-suite should analyze, whether the change will pay-off. Audrin et al. (2023) concluded that adopting SMO as early as possible increases the probabilities of successful implementation. The best option would be to have a SMO as the organizational form from the very beginning.

### **3.4 Creating structures that support working of employees**

One of the main features of the SMO is that the role of managers, as it is in hierarchical bureaucracies, doesn't exist. Martela (2019) argues some managerial tasks are not needed because of the intrinsic motivation, clear rules, and transparent IT-systems. However, it is common for SMOs to have people working as lead links or coaches that boosts cooperation and connect the teams together. (Bernstein et al., 2016; Audrin et al. 2023; Martela 2023 )

In the article published already in 1987 Manz and Sims studied whether there is need for an external leader in self-managed teams. In their study, they analyzed the performance of a factory in which self-managed teams were deployed. Based on their observations Manz and Sims (1987) recognized three different hierarchy level in the studied factory. On the lowest hierarchy level were the employees working as members of self-managed teams, on the second level were the coordinators supporting the self-managed teams and on the highest level was the upper-plant management whose task was to take care of the traditional plant-management responsibilities such as making the overall plant production schedule.

The article focused on the second level of hierarchy, on the role of the coordinators, whose main tasks were to direct the team towards self-management. The coordinators tried to encourage the members of the self-managed teams to engage in self-management behaviors, self-observation, and self-evaluation. The coordinators were not part of the routine work but could be called to help with specific issues or if the team had a meeting that could benefit from the presence of a coordinator. When solving problems, the coordinators would restrict themselves from giving specific answers or otherwise direct the team too much. This way the team would not rely too much on the coordinator and would use their own best knowledge to solve the problem and be committed to the solution.(Manz & Sims, 1987)

Manz and Sims (1987) compared the role of coordinator to having a leader inside the team. They concluded that when the team leader is part of the group, the role is to be a facilitator that supplies the team with needed material and information. When the team is supported by an external coordinator, the task of the coordinator is to help the team to facilitate itself.

The observations of Manz and Sims are well in line with the ideas of other scholars that have studied leadership in self-managed teams. Hackman (1986) proposed that the role of leaders of self-managing units should include the two primary functions of monitoring and taking action to facilitate favorable performance conditions. The role of coaches in SMOs suggested by Martela (2023) is similar to the role of coordinator and lead link. The important thing for the C-suite is to consider when creating these support roles is that to follow the principles of SMOs, these external leader roles should not have direct coercive power.

#### **4. Conclusion**

The self-managing organization is based on the principle of decentralized authority (Lee & Edmondson, 2017). However, a SMO needs somebody who has an overall view to the business and organization and that is responsible of taking the higher-level decisions (Martela, 2023). This task can be done by one person, but it is more in common to have a top management team (also known as the C-suite) lead by the CEO. (Argenti, 2017) The composition and the working methods of the C-suite reveals the focus of the business but also on the working principles on the organization level. Having multiple persons with heterogeneous profiles involved in the decision-making process leads to better results especially on time of uncertainties (Guadalupe et al. 2014)

Having a SMO is not self-evident decision, and the C-suite should regularly review the suitability of the current organization form. SMOs are best suited for quickly changing environment where the product is very customized and making mistakes does not lead to a catastrophe. Other conditions that increase the probability of successfully implementing or continuing the use of SMO are employees who are able to lead themselves and having teams whose work is not highly interconnected. (Martela 2023, Lee & Edmondson, 2014)

A common task for the C-suite is the direction setting for the organization. The direction is defined in the strategy process and after forming the strategy, it is communicated to the employees to start the implementation (Argenti, 2017). One suggestion is that SMOs should have a strategy that is more composed of guidelines

than goals (Robertson B. J., 2015) . Regardless of the content of the strategy, in a SMO the message from the C-suite towards the employees should be clear in order to assure that employees are aware of the organization's direction (Argenti, 2017).

Self-managing organizations have a lot of intended benefits such as an increase in intrinsic motivation and using the full potential of employees. However, to profit from the benefits a sufficient level of self-management needs to be set in place and structures that create self-management needs to be employed. (Lee & Edmondson, 2017)

The C-suite need to be non-substitutable to be relevant and this should be considered in defining the role of the C-suite especially in SMOs that rely on decentralization of the authority (Neill, 2015). The role of the C-suite depends also on the size of the company. In a small SMO the role of the C-suite can be similar to the role of coordinator described by Manz and Sims (1987).

## **5. Discussion and recommendations**

Despite the intended benefits and all the talk about the SMOs, Bernstein et al. (2016) pointed that only few companies have decided to fully adapt self-management. Especially when studying literature about SMOs, I noticed quickly that the same organizations are used as examples repeatedly. This limits the possibility to compare different adaptation of self-management that organizations might have, and it also limits the availability of data points.

Regardless of the limited amount of data and publications, based on the literature I recommend having a C-suite also in the context of a SMO. Having a team responsible for the direction reduced uncertainties that is a major source of stress for the employees. Instead of having just one person in charge, a team has a wider knowledge base and can therefore make better decisions.

Based on the observations and recommendations of Bernstein et al. (2017), I recommend that the C-suite should be active to analyze the situation on the market and be active in observing, how the current way of working is suited to its demands. Ideally , the C-suite is capable of recognizing risk and opportunities. Being

all the time aware of the boundary conditions that Martela defined for SMOs increase the probability of having a well-functioning organization. I recommend the C-suite to analyze whether all the conditions currently met and how is does the future prospect look. If there are factors that does not support having a SMO, the company benefits from a C-suite that have the courage to try to find an organization form that would better correspond to the changed needs.

Implementing strategy is already a complicated process. Creating a strategy without the usual outcome focused guidelines can add a layer of complexity. And after the creation follows the even harder part of implementation. I see this task as the biggest challenge for the C-suite of a SMO. Therefore, I believe giving the strategy process some additional attention can increase the adequacy of the strategy itself and most of all smoothen its implementation.

In addition to analyzing what happens in the organization below the C-suite some resources should be allocated on defining, what kind of C-suite can best serve the SMO. In SMOs it is common that one person has multiple roles. Could this apply also to the C-suite? Especially in smaller organizations, could the C-suite members that have a clear overall view on the organization work as the lead links between teams? If the role of the C-suite members is enlarged this way, the power relations and the workload should be carefully considered. A maybe lighter version would be to use the idea of Hackman (1986) that the C-suite members would work as coaches whose most important function is to ask the right questions. When it comes to the question of having power over and power with someone, I believe that having the C-suite members working with the employees on a daily basis especially in a coaching role could help in creating a relation of power with instead of power over.

To function well SMOs, require a lot from its employees and the C-suite is not an exception. Since the working methods of the C-suite reflects the organization culture, the C-suite members need also to have same qualities as other members of the SMO. Because of its position as the decision makers the C-suite members need to be able to bring transparency into their action and be able to transfer a consistent message. The C-suite members should not be too keen on holding to the power and capable of for example changing the strategy process in a way that employees voice has a bigger significance.

If the C-suite recognizes that their role is not optimal for the organization, I recommend starting by figuring out the root cause to it. One possibility is to slightly change the organization form. For example, the humanistic management view the hierarchy can still exist at the top level. This can make the role of C-suite easier. However, if the top-level work in hierarchical way, the organization might not be able have all the benefits of a pure SMO.

This study left several interesting questions unanswered. For further studies, more data on self-managed organization could help to broaden the view on SMOs and enlarge our understanding on how to adapt self-management. In addition to general case studies about SMOs, it would be interesting to conduct a case study with the focus purely on the role of the C-suite in SMOs. How would the role of a C-suite member look like in practice if the role would also include being a coach? How would this new role affect the decision-making ability of the top-management team and the performance of the organization? And would this change the view of the characteristics required from a C-suite member in a SMO?

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