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**CHALLENGES OF SELF-ORGANIZING ORGANIZATIONS**

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Abstract			
<p>This thesis studies the challenges that self-organizing organizations face, as well as the role of control in self-organizing organizations. Even though the self-organizing organization model has been studied for a while now, there is no comprehensive research in looking at it critically. This study aims to understand what the factors are to cause challenges and how does the different form of control impact the self-organizing organizations.</p> <p>The thesis begins with literature review of self-organizing, self-management and control concepts explaining the concepts on organizational and individual level, as well as the expected results and reasons for failing of self-organizing organizations. Control is also explained from an organizational control perspective and how does control show in self-organizing organization. In this study a qualitative approach is used, and data was gathered by structured email interviews and using blog posts as secondary data source.</p> <p>As using self-organizing organizational model is growing, it is important that the companies know the possible challenges of the model. In self-organizing organizations, the different form of control causes the challenges. In general, people are used to the traditional model of control and in self-organizing organizations, the basis of traditional form of control as manager-subordinate relationship is removed and different form of control is needed. This uncertainty of how to act without traditional form of control is one challenge and another one is caused by different form of control, like self-governance control that does not have proper limits or norms yet. There are situations that would be easier to handle with the traditional form of control because the allocation of control and responsibility is not clear with the different form.</p> <p>The results emphasise that top-down control causes the challenges, when people do not know how to work without it and how the different form of control should be treated. With the contribution of this thesis, companies practicing self-organizing organization model, can avoid problems by paying attention to the different form of control and create clear norms for it.</p>			
Keywords <b>Self-organizing organization, self-managing, challenges, control</b>			
Additional information			

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## **1 INTRODUCTION**

This study focuses on understanding the challenges that companies using self-organizing organization model are facing. The introduction chapter starts with the background of the study, then moves into the objective of the study and presents the research question. After that the research methods and the data are briefly presented. Last part of the introduction explains the structure of the paper.

### **1.1 Background**

Traditionally, according to Lawler (1992) organizations have been managed by bureaucratic model which is based on command and control form of coordination, in which the leader or strict rules determine what subordinated must do (Scherer & Palazzo, 2007). This was the best way for the organizations to function when the business environment was stable and problems arising were easier to forecast (Juuti, 2013). Now all this is changing.

The situation is not so stable and static anymore, but organizations need to be able to actively and autonomously respond to the changes of the volatile business environment (Shima, Kobayashi & Shirasaka, 2019) and adapt to changing situations (Martela, 2019). There are several researches showing that the managerial hierarchy as an organizational design is not suitable for the modern organizations anymore and moving into more flexible form of self-organizing could save money, time and effort (Hamel, 2011; Laloux, 2014; Lee & Edmondson, 2017; Martela, 2019) by reducing amount of managers and making the employees to work more efficiently. The self-organizing organizations are able to change and redesign when there are changes in the market demands (Günes & Greenshield, 2018). All in all, there have been so many changes in the business environment, way of working and in people's needs and motivation, that the previous way of the pyramid organization is not working as it used to.

According to Hamel (2011) management is the least efficient activity in the organization. This is because the hierarchy of the managers is expensive due to the layers of management and salaries, the hierarchy increases the risk of large

unfavourable decisions, there are slower responses and decisions and finally, there is the cost of tyranny which disempowers the lower-level employees (Hamel, 2011). Other reasons that we need to move away from a hierarchical model is that environment is changing on a fast pace, work is more knowledge-based than in the past and the change in attitude; work and organizations are places for personal meaning (Lee & Edmondson, 2017). The promise is that this new way of organizing work leads to employee potential being unleashed as self-directedness and bottom-up innovativeness are able to bloom no longer constrained by the hierarchical and bureaucratic obstacles. (Martela, 2019.)

To be able to answer to the conditions of the business environment these days, there is a need for an organization model that facilitates fast changes and decision-making and makes work meaningful for the employees. From these needs self-organizing model has started growing. There are multiple companies on different industries using self-organizing model successfully around the world for example Zappos and Morning Star in United States and Buurtzorg in Holland (Lee & Edmondson, 2017). In Finland the examples are Vincit, Reaktor and Futurice.

Self-organizing is a mechanism in nature, where the system evolves spontaneously to form a structure based on compatible rules (Zhang, 2013). Now this system is also taken to organizations. Radical decentralization of the authority granted for managers is the core element of self-organizing organizations. Radical decentralization can be explained as the elimination of the reporting relationship between manager and subordinate. (Lee & Edmondson, 2017.) This means that an individual in a company does not have to report to a manager anymore and there is no other person than the individual who is responsible for his own work and everything that it includes; task allocation, performance, execution of tasks, expenses, rewards etc. According to Martela and Jarenko (2017, p.12), individual in the self-organizing organization is self-motivated and able to work without control and guidance from outside.

Cummings (1978) already defined a self-managing team as a work design that includes “A relatively whole task; members who each possess a variety of skills relevant to the group task; workers’ discretion over such decisions as methods of work, task schedules, and assignment of members to different tasks; and compensation and

feedback about performance for the group as whole.” Wellins (1992) defined self-managing teams (or self-directed teams as he called them) as “small groups of employees who have day-to-day responsibility for managing themselves and their work. Members of SDTs (self-directed teams) typically handle job assignments, plan and schedule work, make production-related decisions and take action on problems.”

Depending on the researcher, different terms are used to speak about self-organizing organizations. Self-managing, self-organizing, self-regulating and self-directing are all linked to concept that means self-motivated people managing themselves, taking accountability and responsibility of their own actions without managerial authority. These terms can be used to refer to the concept of the whole organization or for a concept of a team or individual. Self-managing teams are called according to different researchers as “autonomous work group”, “shared leadership”, “self-directing team” or a “self-regulating work group” (Cummings, 1978; Druskat & Wheeler, 2004; Ingvaldsen & Rolfsen, 2012; Parker, Holesgrove & Pathak, 2015; Pearce & Conger, 2003; Pearson, 1992; Weerheim, Van Rossum & Dirk Ten Have, 2019). According to Martela and Jarenko (2017, p.12) self-managing is an attribute of an individual and self-organizing is an attribute of a team. In this study the terms “self-organizing organization” will be used to refer to an organization that is using the model of more decentralized and less bureaucratic way of organizing and “self-managing” will refer to an individual and his or her way of working independently. The connections that these two terms have is that self-organizing organization is formed by self-managing teams that are formed by self-managing individuals. There cannot be self-organizing organization if the employees at the organization do not self-manage themselves.

## **1.2 The objective and research questions**

Organizing work with less bureaucratic and more self-organized way is not as new as one could imagine. Trist (1951) wrote about English coal mines that functioned more autonomous way in 1950s and Cummings on year 1978 defined self-managing teams. Even though self-management has been already researched and discussed for a while, there is a need for research looking critically at self-management and what are the results of it (Martela, 2019).

There are numerous studies about how self-organizing organization works, what is required from a company to make it work, how to start as a self-organizing company or how to become one. Yet, there is a clear gap understanding what the challenges are the companies face while starting as a self-organizing organization, moving towards it or functioning self-organized. When people who did not agree with self-organizing design were offered severance package at Zappos and asked what is not right with the style, the answers were along the lines of “shiny buzzwords but only little difference” and “lack of clarity around compensation and no real influence in the governance of the organization (Bernstein, Bunch, Canner & Lee, 2016). It is important to understand what causes those comments.

This study aims to fill the gap identified in the existing literature and doing research on the challenges of the self-organizing organizations. This study focuses on how control is related to self-organizing and how different level of control is causing challenges. Based on the research gap identified, this research focuses on understanding the challenges in self-organizing organizations by answering to the following question:

*“What kind of challenges self-organizing organizations face?”*

And the supporting question to gain better understanding of the topic:

*“What is the role of control in self-organizing organizations?”*

To gain in-depth understanding of the topic, the email interviews of four employees of the case company and case company’s blog posts as secondary data are used. The objective of the study is to contribute to the existing literature of the self-organizing organizations and fill the gap of the critical research need.

### **1.3 Research methods and data**

The research was conducted using a qualitative inductive research process. Our inductive analysis pointed towards different forms of control as the enabler or hinderer of self-organizing, and therefore became part of theoretical framing. To be able to

answer to the research question, this research firstly introduces a theoretical understanding of the chosen topics and then moves into the methodology and research design. On the research methods part the empirical part of this study is explained. The theoretical part of the thesis aimed to explain concepts of self-organizing and self-managing as well as the role of control in self-organizing organization. The literature review focused on explaining the concepts with the existing literature.

The empirical part used the qualitative approach. This was chosen because it helps to better understand people's actions (Myers, 2013, p.5) and seeks in-depth understanding of social phenomena in a natural context or setting (Klenke; Martin & Wallace, 2016, p.6). The inductive approach was used as in it the theory is drawn from observations (Woo, O'Boyle & Spector, 2016) and the main purpose is theory-building (Myers, 2013, p.23). The structured email interviews were used as primary source as interviews help to find out what people think, what is their motivation or rationale to do things (Myers, 2013, p.81) As a secondary data blog posts were used to gain in-depth understanding of the topic. Once the data was gathered, the analysis could start. The analysis was done using Gioia methodology to categorize the data into codes and then into themes and dimensions. (Gioia, Corley & Hamilton, 2012). From this, theoretical framework could emerge.

#### **1.4 Structure of the paper**

The paper has three parts: the theory part in chapter 2, the empirical part explaining the research methods and the data handling in chapter 3 and then the findings and analysis in chapter 4 and finally the discussion part, conclusion, managerial implications and limitations and further research suggestions in part 5. In the first chapter the background and the research gap are introduced together with the research methods and structure of the study.

The second chapter introduces the theoretical framework of the study. It starts with the short overview on the development of organizational models and then moves to explain the self-organizing as an attribute of a team. Then the chapter moves to explain self-managing that is attribute of an individual and works as a building block for self-organizing organization. After the organizational and individual level of understanding

is gained, the necessary conditions, expected results and reasons for failing for self-organizing organizations are explained. The last part of the theoretical framework explains shortly what organizational control is and how is it seen in self-organizing organization.

After the theoretical framework is built, the third chapter explains the research methodology. The chapter explains why inductive qualitative research method was chosen, how the data was collected and further analysed. The chapter also introduces the data structure that was conducted based on the Gioia methodology. After that the chapter 4 explains the findings from the interviews and secondary data blog posts and the analysis. On the chapter 5 the theoretical framework and the findings are interpreted together in the discussion part and finally the chapter ends to managerial implications and limitations and further research suggestions.

## **2 SELF-ORGANIZING AND CONTROL**

In this section, the theoretical background for the research will be explained. First the history of the different organizational models by Frederick Laloux will be explained briefly to gain better understanding how the organizational models have developed. Then self-organizing organization will be discussed to understand the design more in detail on organizational level. After that more independent attribute self-managing will be discussed before moving into necessary conditions for self-organizing and expected results. Reasons for failing will also be discussed. Lastly, the theoretical background will explain about control, what it means in organization and what is it needed for as well as the new forms of control in self-organizing organization.

In 1951 Trist and Bamforth formed a socio-technical systems theory and from that the outcome was self-regulating work groups (Cummings, 1978). So, there has been discussions about self-managing on team level since 1950s (Trist & Bamforth, 1951). As self-managed teams gained popularity in the 1970s and 1980s, they took different forms. They became synonymous with participative management in Europe and in the United States they were the organizing framework for innovation task forces. In the late 1980s and early 1990s, examples of more decentralized companies were Volvo, FedEx, C & S Wholesale Grocers and General Mills. (Bernstein et al.,2016). Company W.L Gore & Associates who produces Gore Tex has been very popular example since 1990s. As these have been only single examples of the self-organization, and now there are several new examples, we can could say that new paradigm has raised. (Martela & Jarenko, 2017, p.11.) Frederick Laloux has written the “Reinventing Organizations” to explain the organizational model Teal that seems to be umbrella for all the different modes of self-organizing and there seems to be growing amount of influential business reviews (Hamel, 2011; Lee & Edmondson, 2017; Martela, 2019). All in all, self-management is a topic that has more and more research on it.

### **2.1 Development towards a new organization model**

There has been number of different stages in human history and in every stage, there has been a new organizational model. Every time people have moved to a different stage, also a new way of collaborating has been invented. So, on every different stage,

humans have come up with new organizational model. (Laloux, 2014, pp.5–6.) We have collaborated in four different ways in organizational settings up to this point in human history: Impulsive-Red, Conformist-Amber, Achievement-Orange, and Pluralistic-Green (Laloux, 2014, p.55). Now we are moving towards Evolutionary-Teal, which is focusing on three points: self-management, wholeness and evolutionary purpose. With self-management attribute companies get rid of idea of subordinates being lazy and needing for direction. Wholeness brings the real personalities of people to work and people are able to be more honest and more passionate about their work. Finally, the evolutionary purpose gives the reason for people to do their job, when they understand what they will reach with their work. The founders of Teal organizations do not call their companies machines but living organism or living system (Laloux, 2014, p.56). Teal is an umbrella for all different models of flat organizations and companies where people self-manage themselves.

## **2.2 Self-organizing organization**

The traditional centralized authority model in organizations is a root cause for problems in companies (Juuti, 2013, p.13). This model is based on a command and control, in which the leader or formal rules determine what subordinates must do (Lawler, 1992). This traditional bureaucratic model of organization is still in use, even though there has been enormous change in working conditions; environment, technique, communication channels, education level, expectations, everything has changed to less headcount heavy but more knowledge-based resource (Juuti, 2013, p.14). There has been too much of importance for one single person in leadership as “the male hero” or “the all-encompassing knower” when actually the lead should be more supportive and adaptive behaviour, which can be reached by organizing differently. (Geerlof & van Beckhoven, 2016.) There is a need to change the organization model when there are so many changes that are proving the old ways useless.

As the change in technology, job descriptions and meaning of work is happening very quickly now, we are moving towards self-organizing organization model (Martela & Jarenko, 2017, p.11). More volatile business environments require companies to have ability to adapt to fast changing environments, and more educated and professionalized

workforce requires less managerial oversight. Furthermore, digitalization and progress of the IT services have made it possible to coordinate the actions of all the possible employees, no matter if it is ten or thousand people. Now there is more possibilities for self-organizing organizations than in previous eras. (Martela, 2019.) Self-organizing design does not only have more possibilities, but it is also a necessity as we are not able to create successful businesses with the old organizational design.

According to Lee and Edmondson (2017) there are three characteristics that define self-organizing organizations: 1. Decentralization of authority is radical rather than incremental. 2. The decentralization of authority is formal and systematic and 3. The decentralization of authority takes place throughout the organization and for a few top managers, only some key elements are left. Basically, the authority is moved away from the top.

Decentralization of authority typically granted for managers, is the core element of self-organizing organizations. Radical decentralization means elimination of the reporting relationship between manager and subordinate. (Lee & Edmondson, 2017.) Here it is important to note that when the reporting is removed, the subordinate does not have anyone anymore to look after him or her. The subordinate makes his or her own decisions. The previous organizational model had the authority reserved for the managers and often the subordinate could easier avoid the responsibility.

The self-organizing organization not only decentralize the authority, but they also have formal system for it. It is not only delegated via an informal arrangement, nor through a culture that fosters employee empowerment. The formal system is for example handbook like at Valve or “Holocracy Constitution” at Zappos. (Lee & Edmondson, 2017.) In other words, this means that in the self-organizing organizations there are documents that will explain how the authority works at the company and the new employees can understand it by getting to know that guide. This kind of formality is needed to ensure that the decentralization is systematic.

When Lee and Edmondson say that only few key elements are left for top managers, they mean that there are no more heads of different departments who have the right to make decisions regarding certain department but the people who work at the

departments, are making the decisions. The CEO of the company might have few specific elements he is responsible of but the authority in general is distributed throughout the organization. The formal rules governing role authority apply equally to a new employee as to senior employer at Zappos, for example. Also, at Morning Star, all of the employees including the CEO make bilateral contracts with other employees. (Lee & Edmondson, 2017.) More people have the authority to make decisions which mean that the decisions are quicker to make.

According to Martela and Jarenko (2019, pp.144-147) there are three factors that are the most important ones to speak for self-organizing: attractiveness of the business, level of the expertise and the rate of change in the operating environment. When a business is attractive, people with high level of expertise want to work with it. People with high level of expertise are most of the time self-managing and this forms the basis for the organization to be self-organized. If the environment is constantly changing, self-organized design is needed to be able to react on those changes.

Laloux (2014, p. 69) explains that in self-organizing organizations, people are truly powerful to make their own decisions as there is no hierarchy that has decision-making power over them. Even though that the employees are given more power to make decisions, it does not mean that there are no limits at all. For example, some higher management might have made a decision about the size of the team and the way of communicating. (Martela & Jarenko, 2017, p.13.) I will discuss later on this chapter about different forms of control.

To lead self-organizing organization, it requires special skills from the managers. They do not have the same power to control and manage the business as they use to, but they need to be able to let go. Many leaders have said that the most challenging thing is not to say their own opinion but let the other do their own decisions (Martela & Jarenko, 2017, p.163.) According to Laloux (2014, p.245) the biggest challenge for the founders and CEOs is the need to control and that they have to learn to trust. It can be extremely hard to delegate and trust that others can do as good job as you would do.

There is a move towards more self-organized organization model among companies, but there are still many companies that are using the old more bureaucratic and

authority-based model. The change has been going on for a while, but it will take time or will never really move into pure one model of organization. Companies mostly are different blends or different models of organizations. Why do most of the organizations today still rely on the old model? According to Laloux (2014, p. 73) the different staff functions provide economies of scale and give CEOs and leaders a sense of control over employees working out at the field. Furthermore, change is always scary so changing the organizational design will take time.

It is important to understand that even though in self-organizing organization everybody is working towards same goal and that people are very self-managing, there will still be conflicts, misbehaving, neglecting and free riding (Martela & Jarenko, 2017, p.167). Later on, this chapter, I will discuss reasons why these kinds of things might happen.

### **2.3 Self-managing**

In general, people want to challenge themselves and most of their free time, they use their time to do things that have nothing to do with their survival. Survival is very important for human being but that is not the only thing that motivates us to do things. When a person is self-managing, the person will do things that let him express him or herself as well as gets him closer to the goals that follow his or her values. (Martela & Jarenko, 2017, p.317.) This indicates that people often are naturally self-managing. Once work is answering to our personal interests, values and expertise, it is easier to be self-managing.

Self-management as an attribute of an individual means that she or he is able to work independently without control and coordination from outside. The individual needs to be self-motivated to be able to self-manage, the individual needs to know the end goal of the company and have the necessary knowledge. This knowledge does not only refer to the technical knowledge but also ability to lead oneself; time management, prioritizing etc. (Martela & Jarenko, 2017, p.12.) There are many concepts to describe self-management and self-management team. For example “autonomous work group”, “shared leadership” and “self-directing teams” are used to explain self-management teams (Cummings, 1978; Druskat & Wheeler, 2004; Ingvaldsen & Rolfsen, 2012;

Parker, Holesgrove & Pathak, 2015; Pearce & Conger, 2003; Pearson, 1992; Weerheim et al., 2019). Name changes often according to the researcher even though they mean the same. Self-managing individuals form self-managing teams and these teams then form self-organized organization.

In self-management teams, the control is within the team and not one manager or leader. The team itself manages the planning, organizing, prioritizing and staffing for example. The concept is that the workgroup has more independence of decision making than is traditionally available, even though the boundaries of decision making, and cooperation may vary. (Wilson & Whittington, 2001.) Barker (1993) also mentions that self-managing workers must gather information, act on it and take collective responsibility for those actions. The team has the ownership on how they work, and they need to be motivated to take this ownership that they are able to make it work. There will be more about control in self-organizing organization later this chapter.

To make these self-management teams work, it is important that the company defines the degree of autonomy and responsibility (OpenLearn, 2020). What this practically means is that it has to be considered if the team is allowed to make decisions about certain area or maybe country, how they reach their goals, what are the goals etc. This also refers to what Lee and Edmondson said about formality of the decentralization of the authority, there must be a definition and formality for the autonomy and responsibility. What causes challenges is that people must take responsibility for their actions and their relationships. No one is protecting them from difficult trade-offs or horrible news. (Laloux, 2014, p.269.) This was also the feedback from nurses who switched to self-management from more bureaucratic company, that the change is challenging. There are constant decisions to be made and these decisions cannot be transferred to someone else. When work is stressful there is no manager or structure to blame. One must learn to live with the freedom and responsibility, and that might take time. (Laloux, 2014, p.68.)

A whole set of interlocking structures and practices are needed to guide the decision right and power to the right individual who has the expertise, interest or willingness to step in to oversee the situation. These kinds of natural hierarchies replace the fixed power hierarchies. (Laloux, 2015.) So, the person, who has the knowledge, is able to

make the decision. It is important to understand that people are not empowered to make these decisions, but has the right to do so. Decisions are not based on democracy either even though person making the decision can ask opinions of others. People keep each other accountable and peer-pressure is high. People are trusted; if someone makes an absurd decision, others will quickly notice and this will self-regulate the problem away (Laloux, 2014, p.78). This will work for teams too; teams will keep each other accountable and self-regulate any problems.

According to research done by Weerheim et al. (2019) working in self-managing team suit most of the needs the team members have. People like the freedom and they find it exciting and nice to have more influence and all this brings more appreciation. People also learned to be more independent, to set limits, ask for help and be open. (Weerheim et al, 2019.) Teams that manage themselves show certain characteristics: they take personal responsibility of their work; they monitor their own work and performance and they are able to alter their performance strategies if needed and create new solutions to work problems. (Wageman, 1997.) As mentioned previously, people are naturally self-managing and this characteristic is highlighted when people work in self-managing team.

Now we have discussed about self-organizing organizations and self-managing as attribute of an individual. According to Weerheim et al. (2019) there are still researchers that express their doubts about effectiveness of self-managing teams which makes the whole concept ambiguous. Next I will be explaining about the necessary conditions for self-organizing and then go into more detail about expected results, like effectiveness, of self-organizing. Then the reasons for failing will be explained.

#### **2.4 Necessary conditions for self-organizing organization**

To have a self-organizing organization, the company must be self-organized. Depending on the way how the company is moving into self-organized model (incremental by step by step or radical everything from the beginning), there might be a need for change in attitudes. If the change is happening incrementally, there is a big challenge for the old supervisors to trust their teams to do what is expected without their orders and demands and also people need to learn to take the freedom and

responsibility of their work. (Martela & Jarenko, 2017, p.285.) All in all, to be able to have the company self-organized, it should be decision throughout the company and should be followed through properly, as otherwise it will not work. Next I will explain how to form self-managing team.

According to Wageman (1997) the first step to create effective self-managing team is to get the team formed right. She also sees that the effective self-managing teams have a clear and engaging direction, a sense why the group exists and what it is trying to accomplish. Günes and Greenshield (2018) point out that the employees should have a personal mission and vision to reach their individual target and this does attribute to the importance of self-managing teams. A self-managing team does not depend on or wait for a manager to assign work. The team finds its own work and manage their responsibilities and schedules, choose the most effective way of working and constantly try to improve. (Lynn, 2020.) The right people are able to make the self-managing teamwork.

To make the size of the self-managing team as effective as possible, it is recommended to have team size of 10 to 15 people so that everybody is able to know each other properly (Barker, 1993). To make this setup to work, the teams should have high sense of ownership and responsibility. They also need to communicate often and trust in the capabilities of each other. (Lynn, 2020.) The intrinsic motivation, calibrated by peer emulation and market demands keeps the team on their toes and not allow them to get complacent (Laloux, 2014, p.123). Self-organizing seems to be proper teamwork. Self-organizing does not work without teamwork. You have to have many people able to self-manage themselves to be able to form self-organizing organization.

Martela (2019) has identified three factors that are likely to influence how easy is it to implement self-management and how successful it might be when implemented. First one is independence vs. interdependence between units. When there is not much interdependence between different units, it is easier for teams to make their own decisions without being dependant on other teams. Second factor is output standardization vs. customization. When every function in the business is standardized, decentralizing of decision-making is not necessarily needed as much as when the product or service is customized. Then it is important that the team is

authorized with enough power. The third factor is employee expertise and motivation. When the employee expertise, motivation, and work ethic is high, self-management is likely to work better. (Martela, 2019.) These three factors according to Martela will make the difference, if the self-managing model is going to work.

Nel and Pienaar (2006) found that the most critical characteristics of a self-managing work team include 10 factors: logistics, leadership, interpersonal relationships, communication, teamness, planning, absenteeism, skills and experience, training and development and job satisfaction (i.e., member motivation and commitment). Their research, "Characteristics of an Effective Self-directed Work Team in the Gold-mining Industry," published in the Journal of the South African Institute of Mining and Metallurgy, points out that logistics is a critical factor for the effectiveness of self-directed work teams. In this case, logistics refers to the timeliness and availability of resources that the team requires to complete the project or task. (Nel & Pienaar, 2006.) When these factors are in order, the company has better possibilities to success in self-organizing.

## **2.5 Expected results from self-organizing structure**

As discussed previously, the old way of organizing bureaucratically does not seem to fit to the current business life anymore. Different attitude, methods of working and ways of operating are needed. If the bureaucratic way is not the way to organize anymore and the new model of self-organizing is the one that is needed, there should be change in the results as well. When businesses have been organized unsuitable way, the suitable way should improve the results and outcomes. Now I am going to look into these expectations.

According to Martela (2019) there should be better performance with lower costs and more engaged employees. Martela also claims that the employee potential is unleashed when employees are not constrained with hierarchical and bureaucratic obstacles. There are more opportunities to learn from the other team members about their skills and knowledge when working in self-managing teams (Weerheim et al., 2019). Lower costs are also one of the factors that Hamel (2011) speaks about a lot. Hierarchy of the managers add costs as when the number of employees grow in the company, the

amount of their managers grows and later on there are so many managers that they also need managers. Managers also tend to earn higher salary so it will add even more costs than hiring just employees normally. (Hamel, 2011.) More engaged employees can be explained with the fact that the employees get to take more part on the decisions that are related to them and employees have the freedom to choose their own way of working.

According to Günes and Greenfield (2018) it is clear that development and training of self-managing, empowered work teams is an area that can generate significant increases in productivity and profits within a number of sectors of the economy. Barker (1993) also said that self-managing teams make companies more productive because people manage themselves in small, highly committed and highly productive groups. According to Manz and Sims (1987) this kind of results were still debatable late 1980s even though the managers made the decision about self-managing teams to reach the goals of improved productivity and quality. When there has been research showing more productivity in self-organizing companies, the doubt of Manz and Sims can be forgotten. Interestingly it took only some years to show that the productivity improves when Manz and Sims were still doubting 1987 but Barker in 1993 was convinced of improved productivity. Important here is to remember that this can also vary according to different industries and businesses.

Cohen and Ledford (1994) were not convinced that the productivity improvements were that strong, but they did see the improvements on the quality of work. Martela (2019) mentions increased employee emancipation and empowerment due to the bigger amount of individual-level autonomy and organizational-level decision-making power. There is other research also showing that job satisfaction, growth satisfaction, social satisfaction, group satisfaction and perception of positive change grow in self-managing groups (Cohen & Ledford, 1994). It makes a big difference if you get to tell yourself what to do and how to do instead of someone else. This has an impact to the previously mentioned factors. Martela (2019) says that self-organizing organization will be more successful in industries where teams can work relatively independent from each other, where employees are highly motivated and skilled professionals and where output is tailored to each customer. Weerheim et al. (2019) agree that when the employees' motivation and enthusiasm are high, the teams will positively continue as

they did before so the highly motivated people will make the self-organizing model to work and the work will produce positive outcomes.

Self-managed teams are said to lead to more effective decision making because the teams can make their own ways of reaching the answer (OpenLearn, 2020). According to Hamel (2011) one of the advantages of self-organized organization is better decisions: when decisions are not escalated but expertise is pushed down to the front lines, there are smarter and faster decisions. Of course, it is extremely important that the employees have all the necessary information available for the decisions (Martela, 2019). In the bureaucratic model managers have been the only ones with information, and they have been able to make the well-informed decisions but when information is transparent, every employee is able to do the decision using their own expertise and available knowledge. This way everybody is able to serve their customers the best when they have enough authority for their work (Martela, 2019). Effective decision-making seems to be one of the biggest expected results together with better productivity.

As there are many positive outcomes, there are also negative ones as self-organizing model does not always work. When Zappos switched to Holocracy that is one mode of self-organizing and self-managing, the employees were expecting feelings like “they made the most of my talents” or “each person got to influence the governance of the organization”. That was not the case for number of people who left Zappos so the Holocracy did not produce for them what was promised. (Bernstein et al., 2016.) Barker (1993) says that some research suggests that peer control in self-managed teams can cause stress and burnout over time. That is totally possible if the team expectations for each other are too high. To avoid this problem, proper conversations about the expectations, targets, norms and rules should be done. Galli and Kaviani (2017) say that self-managing teams can be time-consuming, they are very costly to build, and they have the greatest potential to conflict. These challenges are all possible but could be avoided with proper introduction to self-organizing.

## 2.6 Reasons for failing

Some companies still do fail with self-organizing model and the reason can be that the employees of the organization did not see the importance of the applying methods and the employees did not realise they are part of the empowerment (Günes & Greenshield, 2018). The fact is, that this model does not suit for everyone, no matter how much they are guided (Hamel, 2011). It takes a certain type of person to work in self-organizing organization.

According to Martela (2019), in industries where the employees are low-skilled and in low-salary, self-managing would not work. There is no loyalty towards profession or the company, so there monitoring the employees might be necessary to get expected results. Martela also says that even though employee in expert work has motivation to do their task, it is not enough but there should be loyalty to the company and ability to look at the whole image instead of one task. Self-managing will fail if the people executing it are not highly motivated towards their work and the company, they need to be highly educated and well paid. This would mean that there are quite a few industries where the self-managing model could not work 100% but it would cause conflicts, misbehaving, neglecting and free riding. On the other hand, all the companies to deal with digitalization go into category that fit into self-organizing.

As the employees keep each other accountable, it is important that people are able to deliver their message clearly or otherwise the whole idea of self-organizing, will disappear. There need to be some tough love to criticize and help others grow, otherwise self-organizing turns into a conspiracy of mediocrity. (Hamel, 2011.) On the other hand, it can be hard to manage the growth (Hamel, 2011) and coordinate efforts at scale (Bernstein et al.,2016). The responsibility is with all the employees and not just with the management to succeed and when people do not take the responsibility and keep each other accountable, the model will not work.

As mentioned before, there is a clear need for research that would look critically into self-management and its outcomes (Martela, 2019). There is really little information, research or data available what are the reasons that self-managing fail or what are the challenges on it. Now I have explained the information available about the reasons that

might cause falling of the self-organizing model. In conclusion, there are certain industries that do not benefit from the model and it will not work when the people do not take it seriously or it is not properly followed through.

## 2.7 Control

In this part, organizational control will be explained, what is the history of organizational control and what is the role of control in self-organizing organization. The different forms of control will be explained.

### 2.7.1 What is control

Most of the previous management texts describe control as one of the four major management functions (Daft and Fitzgerald, 1992; Donnelly, Gibson & Ivancevich, 1995; Gatewood, Taylor & Ferrel, 1995; Schermerhorn; Cattaneo & Templer, 1995; Maguire, 1999). This has long been the case that control is one of the four management functions (rest are organizing, planning and coordinating) as Fayol already in 1949 mentioned this (Fayol, 1949). Clearly when speaking about some leadership in some level, control has to be mentioned.

Control shapes the experiences of organizational life and has long been part of organizational theory (Barker, 1993). We cannot avoid it as organizational control is a fundamental aspect of organizing (Sitkin, Cardinal & Bijlsma-Frankema, 2010 p.3). There are variety of control systems like performance evaluations, operations management system, strategic planning, financial forecasting, budgeting and management information system (Maguire, 1999). These all are different ways to tell employees what they should do at work, how should they do their work, why should they do their work and when. These different functions are in place to make employees to reach the organizational goals and company targets more effectively and efficiently (Maguire, 1999). This is agreed also by John M. Jermier who wrote that structures of control can always be found when people join forces (Jermier, 1998). In other words, control always exists at least in traditional forms of managed companies because it is a function to command and guide people to the direction that the heads of the business want.

Control has been seen as necessary part of management for decades now. The evolution of organizational control and bureaucratization seem to be closely linked in European and American history. This comes from the previous way of working: organizations develop skills that are necessary for their tasks, as tasks are done better, the companies grow and then become more hierarchical and bureaucratic. (Thompson, 2015, p.19.) This way the control has been part of organizations, organizational growth and management functions. Control has been necessary part of management as previously this has been the only way that we have known to manage people, through control.

Often control is discussed alongside of coordination. When there is a need to manage amount of people, there are needs for setting goals, allocate responsibilities, evaluate the performance etc. For this is better to use word coordination as it is more goal orientated word and much more neutral compared to word control. (Thompson, 2015, p.341.) But at the same time, as mentioned previously, coordination and control are both part of the four management functions, so they will both exists even though they would be discussed together. Coordination is much more neutral word as control but using the word coordination will not change the function of control.

According to Ehin (1995) we have confused control over order. Jermier (1998) is also saying that we are moving towards new age where control is used differently and understood differently. Ehin (1995) said that we should become comfortable with system where top-down control becomes senseless and intense voluntary interactions become the norm. Our understanding of control is changing. The challenge here is that the understanding of control should change to same direction that we could make the same conclusions of control.

Control has been traditionally practiced by the people in higher positions, people on top of the pyramid in organizational hierarchies. They use the control to reach for the goals and targets of the company and as long as the outcomes they expect are achieved, they see the company in control. They see the organizational rules and routines as answers to their questions about the expected outcomes. They look at the situations from their point of view, in a framework that reflects their understanding of the overall purpose, meaning, and direction of the firm. (Sitkin et al.,2010, p.37.) This indicates

that the managers look at the situation only from their point of view and can be blinded for other views. It is possible that there are things that are in control and others that are not in control because management does not see it.

### 2.7.2 What is the role of control in self-organizing organizations?

When there is a hierarchical reporting relationship between manager and subordinate, it serves as the core building block of the managerial hierarchy and this way also serves as the main mechanism of control. In self-organizing organizations, the authority is decentralized so there is no reporting relationship between subordinate and manager, which removes the most known way of controlling. (Lee & Edmondson, 2017.) Controlling is turning into commitment and rules into values, employees have more freedom to share the responsibility and participate (Thompson, 2015, p.341). In other words, Thompson seems to say that when workers are committed, they do not need to be controlled.

There are three different forms of organizational control that describe the ways to control employees through technical and social control (Graham, 1993) and these three forms are bureaucratic, clan and concertive (Barker, 1993; Ouchi 1980). The bureaucratic control is the most familiar which is the control that derives from the hierarchically based social relations of the organization and it works the best in stable environment and routine work (Barker, 1993). When the non-routine tasks are situated in unstable environments, clan control might be an option to use as it regulates the employee behaviour through a system of shared goals, values and traditions (Ouchi, 1980). Now Barker (1993) is speaking about new way of controlling; concertive control. Concertive control can be achieved by pressure of the peers and it works well in unstable, constantly changing environments and with non-routine tasks (Barker, 1993). Concertive control seems to be form of control that has formed for the current business environment as the current environment needs something new and not the traditional way of controlling.

Concertive control is a system that has value-based normative rules that control their actions more powerfully and completely than the bureaucratic. Concertive control raises in self-managing teams as they are flat in structure and people have to take

responsibility on their own actions and for their team. As the companies with self-managing teams are decentralized, more participative and more democratic, the bureaucratic control has no space in there anymore. (Barker, 1993). When the power is decentralized, there is no possibility for the bureaucratic control, as no one has the special position to order others.

As there are no bureaucratic control and traditional way of management, self-organizing organizations must form their own ways of control as every organization needs to be able to ensure quality of work. Is it possible to reach level of control without traditional ways? (Lee & Edmondson, 2017.) According to Thompson (2015, p.341) the research is constantly trying to understand if the control is necessary. The different researchers either believe its necessity or futility. There is not enough research on this topic yet as the organizational control is changing its form recent years.

In self-organizing organizations, control can flow from impersonal or personal sources. Examples of impersonal sources are for example rules and formal roles. Personal sources are for example social influence, status and popularity. (Lee & Edmondson, 2017.) Peer control is also example of personal source of control. Peer control happens when people are at the same organizational level, or in the same level of expertise. Peer control is also called lateral control. (Sitkin et al.,2010, pp.324-325.) This peer controlling is part of concertive control and can be even more controlling than hierarchical control, depending on the rules and norms that a group of peers have adopted. The peers, the organization's members create the social conduct and that will become the supervisory force to guide activity. (Barker, 1993.) When the control comes from the peers, it is more widespread as often there are more peers than managers for the worker.

Peer control can be categorized to formal and informal peer control, just as the general concept of control. Formal peer control is written or explicit rules of operation. When someone is noticing their co-worker's behaviour or acting on it, it can be seen as informal peer controlling. Peer control can also be categorized as management-designed versus worker-designed. When the peer control is management-designed, it means that there are formal peer control mechanisms in a broader context of the

organization, and this is made to influence the informal peer control. (Sitkin et al.,2010, pp.326-327.) Example of this kind of peer control could be that there will be a formal guidance that someone with the most projects finalized, should be the one taking the extra projects when the informal norm had been that the one with the least projects should take a new project. In this example formal peer control mechanism is trying to overrule the informal one. In worker-designed peer control, it is the workers who choose to control their peers. This can include formal and informal peer control. (Sitkin et al., 2010, pp.326-327.)

Radical decentralization is therefore likely to require a formal system of rules and processes to reinforce and help institutionalize new ways of working. Formalizing may reduce the risk of reverting to hierarchical modes of operating and relating, as persistent deviation from formalized rules is more likely to trigger a crisis of legitimacy in the system. (Lee & Edmondson, 2017). When the control comes from the peers, the control is not always based on the organizational goals of the company, but it can be based on many other things too. Basically, peer control can be based on any personal norm, value or rule or goals of the team. That is why peer control is described as process whereby peers motivate, direct attention and encourage organizational members to act the way that the initiator of the control wants and is able to reach his or her own objectives. (Sitkin et al.,2010, p.325.) But the interests of the individual and the company can be the same as well, as the identity of the worker influences their motivation and identity shapes behaviour which has an impact on control (Sitkin et al.,2010, p.185).

It is important to understand that this discussion about control cannot be as black and white as it has recently been. The frameworks are overly optimistic and not able to deal with the changes in types and levels of control. There has been changes, and there will be more changes which needs to be dealt with accordingly. Having more peer control among the co-workers instead of traditional formal control and at the same time having tight control over financial matters, should be possible. (Thompson, 2015, pp.341-342.) Different forms of control should be able to co-exist.

There is an emerging stream of literature about another form of control, and there is not a lot of literature as of yet. Rantakari, Laari-Salmela and Hurmelinna-Laukkanen

(2017) have named described as self-governance control and can be defined as a “form of self-regulation according to which individuals control both their own behaviour, and that of other’s, from inside out to align their individual identity with prevailing discourses and other social practices”. The individual person is controlling him or herself internally. So, for example an employee behaves a certain way because of the company culture or the team atmosphere, even though no one else is commanding him or her to do it.

Markets, businesses, economy, society and the forms of organizations are constantly changing, and control has to change together with them. As there is a movement of change in leadership, there must be a movement of change in control as well. There is already less need for controlling because of electronic and self-surveillance. There are also ways of indirect control like hiring “the right people” who will need less controlling to do their work. (Thompson, 2015, pp.343-345.) Organizational control has been studied extensively and has been part of management closely so the change in organizational design will create change in organizational control too.

As the building block of traditional form of control, the reporting relationship between manager and subordinate is removed in self-organizing organizations, control needs to be dealt differently in self-organizing organizations. As Thompson (2015, p.341) says, the researchers are constantly debating if control is needed or not. This can be only be confirmed after further research but for now, we assume that some form of control is needed. Jermier (1998) say that there is always control when people join forces. The traditional form of bureaucratic control does not have base in self-organizing organization. Concertive control that is based on value-based normative rules and can be for example peer control can be a form of control in self-organizing organizations, or it can be self-governance control that is based on individuals’ experiences and own control (Rantakari et al., 2017). In the empirical part of the thesis we are looking into the challenges that the different form of control in self-organizing organization is creating. We are looking at the challenges through the lens of control.

### 3 RESEARCH METHODS AND MATERIAL

This study follows a qualitative inductive research process that aims to understand what the challenges of self-organizing organizations are and further how is control different in self-organizing organizations. The objective of this qualitative research is to answer the following main research question:

*“What kind of challenges self-organizing organizations face?”*

There is also a supporting question, to understand the challenges better:

*“What is the role of control in self-organizing organizations?”*

To answer these questions, data was collected by conducting structured email interviews with employees of a self-organized organization Reaktor as well as using blog posts on Reaktor’s webpage as secondary data. This chapter explains the use of methodology of the empirical study to answer the research questions. The qualitative study method will be explained first, after that the data collection methods and the case company will be introduced. The data analysis process together with the data structure will be introduced lastly.

#### 3.1 Qualitative research method

Qualitative research method was chosen to better understand people’s actions as qualitative research allows the researcher to see and understand the context where the actions take place (Myers, 2013, p.5). Qualitative research is a process that seeks in-depth understanding of social phenomena in a natural context or setting (Klenke et al., 2016, p.6). Qualitative research is also best option to use if you want to study particular subject in depth and want to understand something new that does not have much of previously published research (Myers, 2013, p. 9). As challenges in self-organizing organizations are not excessively studied previously, qualitative research is a suitable form of research to use. With the qualitative research method, we are able to gain better understanding of the topic in its natural context.

In qualitative research, the researcher intentionally selects the participants that can contribute in-depth to the research (Klenke et al, 2016, p.9). Mostly qualitative data is a record of what people have said so the people involved in the research are important (Myers, 2013, p.8). In this research, structured email interviews as well as secondary data blog posts are used as the data gathering methods. This kind of combining data gathering methods, is called triangulation. Triangulation can give the research “fuller” picture as you are able to look at the same topic from different angles. (Myers, 2013, p.9.) As there were challenges with the amount of data with the email interviews, I chose to use the blog posts as well.

This is a case study as it is useful in research when the topic is not excessively researched on yet. The case study research is aiming to answer to the questions “how” and “why”. The examples of real people in real organizations are used to contribute to the new knowledge. (Myers, 2013, pp.75-76.) Case studies are also used for both theory development and theory testing. With the theory development, the research adds new variables hypotheses or causal mechanism to the theory. This is normally an inductive process. (Klenke et al., 2016, p.65.) In this case study, one company is contributing to the knowledge about the challenges. In this research the case is the self-organizing organization design and the challenges this has.

There are three different approaches for the research. Researchers can use deductive, inductive or abductive approach. Previously, deductive research has been the most common in business and management research (Woiceshyn & Daellenbach, 2017). The deductive approach states hypotheses derived from the theory and if the theory and hypotheses are correct, the results should be as expected. On inductive approach, the theory is drawn from observations. And in abductive approach, the inference is not only based on observations, but deriving a feasible explanation for a phenomenon. (Woo et al., 2016.) The inductive approach was chosen to be able to generate theory from the data as it was not clear in the beginning what is the theory that is behind the challenges of the self-organizing organizations.

As a primary data sources, structured email interviews were done. Interviews are useful to find out what people think, what is their motivation or rationale to do certain things (Myers, 2013, p.81). In a case study, interview is a most certain way of

conducting the research but as mentioned before, I also used blog posts which are considered as secondary data (Myers, 2013, pp.119-120). As there was no possibility to do face-to-face interviews, neither video call nor phone call interviews, email interview was chosen. As the time was limited, a structured interview was chosen. In structured interviews we are assuming that the researcher and researched use the same vocabulary, the question formats and contexts are common for both parties (Klenke et al., 2016, p.128). In structured interviews, pre-formulated questions are used in certain order (Myers, 2013, p.121). There was no time for extra questions raising from the first round of questions so the interview could not be semi-structured. Also, as the questions are not asked in the presence of the interviewee, unstructured questions were not possible.

Even though the structured email interview can be seen a bit of strict and limited way of gathering data, there are advantages on email interviews. When the questions are sent via email, the interviewee can respond whenever she or he wishes to and there is no same kind of pressure as with face-to-face interviews. Big advantage is also that no one has to travel anywhere, and time zone is not relevant for the interview. No transcribing is needed when the answers are already in written form. (Klenke et al., 2016, p.137.) As mentioned previously, I am also using written documents to gain in-depth understanding of this topic in the case company. As there is lot of published written material in Reaktor's webpage, using secondary data to support my research was a natural choice.

### **3.2 Data collection**

Initially, interviewing employees in a company that is self-organized, was the plan. For no special reason, I only considered Finnish companies and did not even look for international companies. Of course, I had read about the international examples, but they were already so huge that it did not make sense to contact them. Also, I considered that Finnish companies would welcome a Finnish master's degree student easier and understand the value of participating on a master's thesis. As there are more and more Finnish companies that are organized less hierarchically and the phenomenon is more common in research, I thought my research in Finnish company, would add on the field.

The company that I got as my resource is Reaktor. Reaktor is a software company, and well established as they started on 2000. They offer different IT- services and consultation. They operate in 7 different countries and have around 550 employees. (Reaktor, 2020.) Reaktor does not have clear vision and strategy or budget. Instead they have openness and strong autonomy. This is a model that Reaktor has been executing since the start of their business, so the self-organizing is radical as since the start it is executed systematically in the whole company. According to one of the founding members, Hannu Terävä, one of the most important factors for building self-organizing organization, is recruiting. At Reaktor, the teams are formed around the project for certain client and the person with most of knowledge or motivation will take the lead. The senior will guide the newer colleagues. There is training, HR services and internal coaches available if needed to support. These teams are not fixed, and they change again when there is a new project for a new client. (Ihalainen, 2019.)

According to Ville Valtonen who was working with the communication and marketing at Reaktor, one can summarize Reaktor's organizational culture as following "hire the best ones and give them lot of responsibility and freedom" (Linna, 2014). The director of Corporate Business Development Johanna Heikkilä says that it would have been much easier to run the company with traditional hierarchical model but that would have been against the principals of the organization (Sormunen, 2017). Kopteff (2018) on Reaktor's blog says that Reaktor gets resilience and the ability to adapt to the changes in the market extremely rapidly due to their "loose" structure. So, from all this information, I could make conclusion, that Reaktor is extremely good resource for me as they are well established with their self-organization model.

I had one contact person in Reaktor, who I sent emails with from the May 2020. He did distribute my message of master's thesis interview to the rest of the company via their common communication channels and volunteers enrolled in for the interview. I got their email addresses and sent them the interview questions. The questions were sent and responded in Finnish as all the interviewees were Finns. After I received the email addresses of the volunteers, I sent them the consent form as well as the interview questions. The interviewees had two weeks' time to respond so I got the answers mid-June 2020. There were 15 different open-ended questions. The interview questions (appendix) were made initially in English but were translated to Finnish. The questions

were not themed but there were questions about situations that I thought could possibly be challenging as well as questions about self-organizing in general. The questions were made to form the whole picture of the interviewees' understanding of self-organizing model at the company.

For the written material, the blog posts from Reaktor's webpage, I chose texts that are related to the topic. The blog posts I chose were categorized under business, technology and culture. I did go through archives from 3 years back and chose texts relevant to the topic as well as I searched with Google about Reaktor's blog posts related to challenges, self-organizing, leadership, management and self-organizing model. The texts that I chose are the following:

- Scaling our business beyond 500 with distributed responsibility, free of static structures or superiors by Mikael Kopteff
- No hierarchy! An outsider's view to one of the world's coolest companies by Niclas Kristiansson
- How should a self-organizing company make a 100k € investment? By Sami Honkonen
- How Reaktor grew without hierarchy by Hannu Terävä
- Personal challenges expose the core of a company's culture by Aleksi Lumme
- Why is Reaktor owned by its staff? By Ville Valtonen
- "A good leader is like a gardener" and other key learnings from Leadership Update by Mikko Olkkonen
- Dear client, our autonomy is your competitive advantage by Mikael Kopteff
- "I was expecting to be "just" a coder- Riku and Samuli's summer in the Forum Virium Helsinki project by Samuli Kärki and Riku Honkanen.

In total, I interviewed 4 employees in email and had in total of 11 pages of texts. The amount of blog texts was 9 and that in total corresponded 32 pages of text.

### 3.3 Data Analysis

In this research, the inductive reasoning was followed. This means that the theory was built on the findings that emerged from the data (Myers, 2013, p.23). The structured email interview was conducted for 4 employees at the case company and as the interviews were conducted in Finnish, translation to English was established to reflect on the thoughts of the interviewees.

Once the blog posts were chosen and printed together with the interview answers, the data analysis could start. To be able to code and analyse the data more carefully, the Gioia methodology was followed (Gioia et al., 2012). Manual work was done to do this process. This was possible because there was not a huge amount of data. From the interview responds and the blog posts, the meaningful quotes were separated. These quotes then were organized to 1st-order concepts by carefully analysing the quotes that have common concepts and there were total of 28 of them. Then the 2<sup>nd</sup>-order analysis could start and here I was already looking at the themes if they can help us to describe and explain the phenomena, we are doing the research on. This process needs a more theoretical thinking already. (Gioia et al., 2012.) There were in total 6 of 2<sup>nd</sup> order themes and then the further analysis to aggregate dimensions could be done. In this structure, I ended up to 2 aggregate dimensions. These provide a narrative to understand the connections between theory and data. Once there is full set of 1<sup>st</sup>-order concepts and 2<sup>nd</sup>-order themes together with aggregate dimensions, we have a basis for building a data structure. (Gioia et al., 2012.)

Through a careful handling of the interview and blog post quotes, the 1<sup>st</sup> order concept emerged. Then these 1<sup>st</sup> order concepts were analysed into 2<sup>nd</sup> order themes and these 2<sup>nd</sup> order themes are concepts that help to form the theory and explain the phenomena we are observing. These themes are base for the theoretical framework. After this, the 2<sup>nd</sup> order themes are further grouped into aggregated dimensions. As visual presentation is a crucial part of the data analysis process, the data structure (table 1) demonstrates the findings. (Gioia et al., 2012.) As the inductive reasoning was used for the research, the formation of the data structure is coming from the empirical data. Firstly, the factors to support self-organizing organization model are very clear from the data as they could have been challenges but ended up being supportive factors and

the different form of control is the factor that is causing the challenges in self-organizing organizations as there are top-down and bottom-up control and there are different time and place for both.

**Table 1. Data Structure. Produced from Gioia et al. (2012)**

First Order Concepts	Second Order Themes	Aggregate Dimension
Flat Hierarchy	Organizational model	Factors to support self-organizing organization model
Less Discipline		
Broader Organizational Sense		
Extra Structure		
Team work		
Learning new things	Attitude towards work	
Growing as professionals		
Willingness to do		
Continuous improvements		
Humanity	People	
Recruitment		
Communitcy		
Open converstation	Way of working	
Comminication flows		
Experimenting		
Good processes		
Little conflict		
Uncertainty Feeling	Top down	Different form of control
Not enough power		
Everything is not perferct		
Decision-making is hard		
Staying in control		
Give up control		
Autonomy	Bottom up	
Freedom & Responsibility		
Decision-making power		
Motivation		
One right answer		

## 4 FINDINGS AND ANALYSIS

Now the literature review has introduced the concepts and framework for self-organizing organizations and for control within self-organizing organization. I have also explained the methods of the data collection and structure in the previous chapter. The data structure (table 1) introduced previously is guiding the results and analysis chapter. This chapter is introducing the results in the aggregated dimensions that emerged from the data analysis.

### 4.1 Good principles of self-organizing

From the data analysis, several number of good principles to support self-organizing model came up. When the interview questions were set up, they were based on the expectations of the researcher and were asking about situations and habits that the researcher thought that could cause challenges. Most of these situations and habits actually turned up to be supportive factors for self-organizing organization model.

First of all, the flat hierarchy is seen as very good and supportive factor. It is seen to make a difference for the business. Flat hierarchy means that there are no managers on top of the managers giving orders to the subordinates, but everybody is on the same level per se. This kind of a model is still new among other organizations and many companies want to reach this design of organizing. Flat hierarchy is seen as an advantage for the company as the model enables the adaptation for the market changes and gives them persistence. When the hierarchy is flat, employees are able to make quicker decisions when they do not need a permission from their manager, and they can decide themselves the way of working.

*“Reaktor is culturally different from any other company I’ve come across. “Flat hierarchy” gets thrown around in their job postings and blog content, but it’s easy to mistake it for something trivial. But I assure you, it makes a world of difference” (Blog post 2)*

*“Flat hierarchy cultivates understanding.” (Blog post 8)*

*“This “loose” structure gives us resilience and the ability to adapt to the changes in the market extremely rapidly. Some of the characteristics of the type of organizational model we have, and what we aspire to be, can be found under “Teal Organizations” in the book “Reinventing Organizations”. (Blog post 1)*

The flat hierarchy is a principle for the whole organization. People are responsible for themselves or for their team at that moment. In addition to the flat hierarchy model, Reaktor works in teams. The teams are able to make their own decisions, carry the responsibility, serve the customers and adapt to the work task in form of projects. They are able to form and unform the teams according to the need.

*Our work focuses on design and technical development of digital products for our clients, most often in the form of projects. We build teams around these projects. The teams are cross-functional, consisting of people who can handle all the aspect of the work, from first meeting to the last line of code. They operate autonomously and all necessary decisions concerning their projects. These structures are temporary, though. Teams change constantly as the project evolve. (Blog post 1)*

*If I were to simplify Reaktor’s modus operandi, it would be this: We work in self-organized teams with our clients, where we design and develop services in which the digital and physical worlds converge in a natural way. (Blog post 4)*

Important factor in the teams is the open conversation and communication flow. Fluent communication makes working more efficient. There are less misunderstandings and problems. Communication flow supports the teamwork which then works as supportive factor for self-organizing. Interestingly, no one said that communication is, or had been hard. Open conversation is the tool that is used to resolve conflict, if it happens to occur. According to the interviewees, conflicts were handled with conversations except in one situation it did not help. According to this amount of data, it is hard to say if all the possible conflicts can be resolved with open conversation.

*“The whole company is together in Slack and different teams have their own Slack channels, so it is very easy to contact any team. With us communication always happens with low threshold and you can contact anyone.” (Interviewee 3)*

*“As open conversation as possible has almost every time helped, no matter if it is about something inside the team or another internal thing. Once I have been in a situation where conversation did not help but actually made the situation worse. Later we realized that we see the situation differently and we got the situation resolved”*  
(Interviewee 4)

Reaktor consists of self-organized teams around the projects where communication flows and there is no traditional hierarchy. In addition to this, according to the interviewees, there are no processes that do not work. Reasons for this are that there are very few fixed processes and if they do not work, they are replaced with better ones.

*“This question is hard to answer as we have very little amount of fixed processes. We do have them but ultimately we always go according to the situation.”* (Interviewee 1)

*“Hard to say as none of them (processes) feels inefficient.”* (Interviewee 3)

All in all, the organizational model of Reaktor is not simple even though it sounds simple when it works. Reaktor itself sees their organizational model as an advantage and since the start of the company, they have built on it. They wanted to make a nice place to work and they have been able to strengthen that philosophy as people enjoy working with them. Flat hierarchy, constantly changing teamwork, open conversation, communication and few processes could have caused problems, but in Reaktor not. These can be seen as advantages of the self-organizational organizational model.

*“It’s a good example of how in our unique situation, we are constantly reinventing the wheel as our organization changes and grows. This, I believe, is one of our key strengths and crates our most significant competitive advantage.”* (Blog post 1)

In Reaktor, value is given for the people that works in there. Recruitment is done coherently that right people are chosen to work with the company. It is about the match between the team and candidate, more than just the curriculum. The recruitment is done so well that the employee turnover is low. Some people leave because they realize Reaktor is not place for them but that is natural when the organizational model is

something that people are not used to. Workplace is community where people support and listen to each other and they can be themselves.

*“” Ever since the beginning, our success has been built on recruiting. Smart, skilled, culturally compatible people, with adequate seniority,” says Joonas Makkonen, CEO of the New York office. “That’s the main reason we are able to do what we do.”” (Blog post 2)*

*” I became more confident and realized that the people I’m working with are just humans like me.” (Blog post 9)*

People that are hired, are not just smart and skilled but they share same kind of attitude for work: they are willing to do things, they want to learn new things, they are looking for continuous improvements and they want to grow as professionals. These are all aspects of individual who is able to self-manage him or herself. You need to take initiative and be ready to learn new things and not to think that you are complete already.

*“Learning new things might motivate me the most.” (Interviewee 2)*

*“” We expect the people we hire to grow. No one is complete. If you’re smart, you can become anything, “Makkonen crystallizes, when I ask him about Reaktorian career progression.” (Blog post 2)*

This way self-organizing organizations often do not have fixed positions, but people get to do what interests them and they are able to improve their knowledge inside the company. This will add on the meaningfulness of work and people will enjoy work life more. And when people enjoy their work, they feel better and can do a good job.

In the interview replies, autonomy was mentioned several times. Self-organizing is seen as autonomy, interviewees see that autonomy feeling gives them more motivation. From the blog texts, autonomy is mentioned as important factor to make business success and flow. Autonomy is about feeling that you are able to decide what do you do and how. People are so used to the autonomy at Reaktor, that they would

not be able to function if they did not have it. People are more willing to do their job when they feel they are in control of it. The fact that the employees get to decide the project they take part and they decide how they do the work, keeps them in control and they feel that they are able to work more efficiently when they get to decide.

*“Empower your people. Information needs to flow horizontally and that requires a greater degree of autonomy and power outside the management team. Let people do their work as they see fit.” (Blog post 7)*

*“Our people need autonomy, purpose and sense of ownership in their day-to-day work. It makes a world of difference for the individual and the community.” (Blog post 8)*

Freedom and responsibility are mentioned several times in the interview replies. Freedom and responsibility are only another way of speaking about autonomy as autonomy includes the freedom and responsibility. With the autonomy and responsibility, comes decision-making as well. The employees need to be able to make decisions as they are managing their own workflow. It would be problematic if employees had the autonomy to decide what projects they work on, but they would need to ask permissions to the decisions in the project. Employees do feel that they have enough power to make their decisions and if they get a feeling that they cannot do the decisions alone, they will talk to their colleagues for an opinion and then can be able to make the decision.

*“Makkonen agrees: “You can’t ask me to decide for you. You can talk to me and hopefully I can offer guidance, but in the end, it’s you and your team calling the shots,” he continues, “Essentially the job of top management is to be available to talk. We all guide each other, really.”” (Blog post 2)*

Decision-making is seen as basic part of everyone’s job and no matter how big the decisions, it can be done especially if you think that everyone would make the same decision. As Reaktor is very transparent and that helps with the decision-making as one cannot make a justifiable decision if there is not enough information available.

*“In the simple domain a single sight answer exists. We can make decisions quickly and by ourselves. If everyone in the organization would make the same decision, just make it.” (Blog post 3)*

To understand better what is the motivation for the employees at Reaktor, it was asked in the interview questions. Interestingly, freedom to make decisions and autonomy was mentioned by three interviewees. In one of the blog posts, challenging work and same amount of incentive bonus for every employee are mentioned as motivating factors. When people are motivated, they will do a better job. If we consider that the employees think the decision-making freedom and autonomy are motivating, the company is basically motivating its employees by its principle organizational model. This means that people constantly enjoy working with Reaktor.

In this chapter, I have gone through all the factors, that have come up in the interviews and the reviewed blog posts, that support the self-organizing organizational model of Reaktor. Reaktor is based on flat hierarchy where employees work in teams. There is good communication and open conversations to resolve conflicts. There is not inefficient fixed processes and the whole organizational model itself supports the work of the employees. Employees are carefully chosen that they have the right skills and attitude towards work. This people enjoy autonomy at work and get motivated by it. The freedom and responsibility about work is for everybody and not just for special group of people. All these factors are supporting the work that the employees do and make them do a good work and make the self-organizing model work at Reaktor.

## **4.2 Challenge of top-down control**

As in the self-organizing organization model the main factors describing it are autonomy, freedom, communication and community, there are factors that are against those. And these are the factors that cause the challenges in the organizations. When the company is based on flat hierarchy, the top-down control is not the evident form of control. There is no structure for it. There are still some functions that would require traditional form of control and when it does not exist there, it causes challenges. On the other hand, the traditional form of control still shows in situations that it is not needed or accepted and that is causing challenges.

Uncertainty is caused by lack of knowledge and organizational control as we know it. When employees do not know enough, it causes uncertainty, which might make working hard. When employee feels that they are not in control or they do not know who is in control, it causes uncertainty. The organizational control does not show for employee as they know it. They cannot use the organizational control structure as it does not exist in self-organizing organization. In these situations, the traditional form of control, would be the easy answer for the situation. But as it is not wanted to be used, the uncertainty causes challenges.

*““Coming from companies with traditional structures, new employees struggle in the beginning to figure it out. Not being able to ask for permission or say “my boss” creates uncertainty at first. People are so used to saying that. To realize that leadership can be shared takes a while,” Makkonen points out.” (Blog post 2)*

*“Adaptation starts with changing the corporate structure from high hierarchy to low hierarchy and distributing the decision-making power to autonomous teams. So, then the control is gone but uncertainty quickly becomes the main concern. How can an organization function properly when there’s no one in charge, calling the shots?” (Blog post 7)*

The challenges are not caused only with the traditional form of control but also with giving up the control. Giving up control is not easy as then you have to trust people around you, and you cannot do all the decisions by yourself anymore. When you give up control as a manager, there is a change in the organizational control. There are not only group of people who have the control, but it is distributed throughout the organization. Giving up control is a challenge that managers on the self-organizing organizations face, they lose something that is known. But as the authority is decentralized in self-organizing organization, they cannot keep the control for themselves anymore. We would need to learn away from the need of controlling. At the moment we do have the need to control and stay in control.

*“Adapting to a more complex environment doesn’t come without a price, though. The leader has to let go of control.” (Blog post 7)*

*“Leadership is not about a title or status, nor is it about getting people to do what you want. To me, it means helping people make better and more educated decisions in their everyday. It’s something that everyone does, throughout an organization. And, a part of good leadership is to give up control and be okay with it, trusting people to do what’s right.” (Blog post 8)*

*“Staying in control. (Why is Reaktor owned by its staff?)” (Blog post 6)*

Staying in control was only mentioned for a reason to have Reaktor owned by its staff but why is there this need? Is the fact that the company has distributed the responsibility widely in all the other functions, reason to stay in control in this matter? And who is the one staying in the control? Reaktor owned by its staff can also mean that the employees then have the control over the matters of the company and feel more responsibility about the company. Staying in control here can be also analysed as a way of making employees more loyal to the company and control them this way. I see that as the responsibility is distributed widely in the company, and staying in control by owning the company, is a form of facing a challenge of control.

There seems to be a challenge when making decisions on a bigger level. When the decisions include many people and bigger part of the business, it is hard to take the responsibility and make the decision. I did not have any examples when no one has taken the responsibility, but this can could happen when the control is not in a traditional form anymore and decisions still need to be done. Two of the interviewees mentioned that decision-making slows down when there are more people involved. In this situation I see that the challenge is that everybody has the responsibility. No one is given more responsibility, and no one has the authority to decide for other, no one has a special position to control. This seems again a situation that traditional form of control would be the easy answer for it, but it is not that is wanted.

*“Another slow down comes, when we must decide something on a company level, that has impact on many people, but it is not clearly someone’s responsibility” (Interviewee 1)*

*“When the number of employees grow; it is hard to stay in track what is happening. People form different groups and due to that it is hard to make decisions about company’s matters.” (Interviewee 3)*

As the clients do not function with the same principles as Reaktor, it can cause challenges. There is a feeling that you do not have enough power when you are not able to have an impact to the client’s side of things. Decision-making also slows down when you are dependent on someone and they are not immediately available. All of the employees interviewed said that the decision-making does slowdown in some situations, only one of them mentioned that it is mostly due to the client. This seems to be matter that could be looked into more as decision-making should be more effective in self-organizing organizational model than in traditional model. As there is no comparison data how the decisions are done in another company, we cannot say that this is a huge problem, but it needs to be taken into account. Companies that are becoming self-organized need to understand the situations where the decision-making process has not reached its greatest point.

*“In my own work the decision making seems to slow down in internal matters mostly when people do not have time immediately. For me that’s a small problem.” (Interviewee 4)*

As situations, markets and environments change, everything is never perfect and that is important to accept. There will always be something to give attention to. That is not a problem as long as it is nothing major. One of the interviewees mentioned this when asked what could be developed at the company. I see that this is also adding to the challenge of the company, there is always something to be developed and there is no clear decision, whose responsibility it is. We can think that these kind of “no one’s business” can be dealt with when individuals take the responsibility and control.

In conclusion, there are challenges when a situation does not have top-down control but different form. The challenges are where the situations have not formed yet principles for working. There is uncertainty when there is not traditional form of organizational control. Giving up control also is problematic as people are used to having control or other people are used to that certain people have the control. This is

all based on the previous ways of working, how we are used to command and control, and we are not sure how to work when the way of working is different. Decision-making slows down when decisions involve lot of people, when the responsibility to be taken is big and people are not sure who is it to take. Challenges are caused by the situations where the organizational control is not in the traditional form anymore.

## **5 CONCLUSION AND DISCUSSION**

In the final chapter of this thesis, the main findings will be discussed. The key findings of the study are presented by reflecting them to the theoretical understanding of the study. First the flat hierarchy as good principle for self-organization organization model is discussed and then the supportive factor of people and communication. Then related to the people and communication, the uncertainty as a part of challenges is discussed. Then autonomy and decision-making are discussed in a both supportive and challenging way are discussed. Lastly the control is discussed before the concluding remarks. The chapter will end to managerial implications and limitations and future research suggestions.

### **5.1 Discussing the findings**

This study examined what kind of challenges self-organizing organizations face and what is the role of control in self-organizing organization. The self-organizing as a phenomenon has been researched and discussed for a while but there is a need for research to look self-organizing critically and what are the results of it (Martela, 2019). This study now aims to answer some of the questions by looking into one company's context and where they face challenges. The lack of traditional form of organizational control is discussed as it seems to be influencing factor for the challenges. In the study, number of factors that were thought to cause challenges, actually worked well in the case company and only supported the self-organizing organization model. Now I am going to interpret the findings together with the theory.

In the findings, the flat hierarchy model was seen as a good supporting model for the case company. When the hierarchy is flat, there is no need to consult managers for decisions and there is no manager-subordinate relationship. When the hierarchy is flat, company is able to answer to the challenges of the market and adapt quicker. These are factors now that are moving most of the businesses towards self-organizing organizational model (Martela & Jarenko, 2017, p.11). Flat hierarchy removes unnecessary functions and that helps organizations to be able to actively and autonomously respond to the changes of the volatile business environment (Shima et al., 2019).

As Nel and Pienaar (2006) have found out that the communication, teamness and interpersonal relationships are part of the critical characteristics that make self-managing teams in self-organized organization succeed. Teamwork, community and communication were also supportive factors in the findings. People do keep each other accountable about the decisions that are done in the business (Laloux, 2014, p.78). This can also be seen in the findings, as the teamwork is working for the case company, and the self-managing teamwork would not work if people and teams would not keep each other accountable. According to Hamel (2011) better decisions are one of the advantages of self-organized organizations and this could be supported with Laloux theory of people keeping each other accountable

Martela and Jarenko (2019 pp.144-145) say that one of the three important factors for self-organizing is level of expertise. In other words, the people who work at the self-organizing organization need to be experts on their own field. Martela (2019) also says that the level of expertise, motivation and work ethic are factors to help to implement self-organizing. I see that this has been taken into account with the case company as they are very precise with recruitment that they are able to hire the right people. The case company is hiring the most talented and suitable people for the company and this is one factor that makes self-organizing succeed. Also, Wageman (1997) sees that the rightly formed team is important when creating self-managed team, so the proper recruitment supports this as well.

There is the challenge of uncertainty, though. When people are used to the traditional hierarchy model, the flat can cause uncertainty. In the findings, uncertainty existed mostly in the situation where the employee was not yet used to the organizational model of the case company. According to Laloux (2014, p.68) the fact that there is no manager or structure to blame when the situation gets hard, can be stressful. When you are used to always have someone else to put the responsibility on, it can be hard to take all the responsibility yourself, especially when you are new in the company. People struggle to understand that organizational design is different in self-organizing organizations. There are still number of companies that trust the old bureaucratic model due to its economies of scale and a sense of control (Laloux, 2014, p.73) so it is understandable that self-organizing causes uncertainty, which causes challenges.

The employees have the control within the team, and they do the planning, organizing, prioritizing and staffing, there is the independence of decision-making (Wilson & Whittington, 2001). Employees of the case company are taking the responsibility of these functions but the challenge here is that sometimes the boundaries of the decision-making are not completely clear. According to Wilson and Whittington (2001) the boundaries of decision-making and cooperation vary but as in the case company the decision-making slows down when the decisions include many people, it seems like the boundaries are not clear. We do not know how to function when the organizational control is not traditional anymore. The different form of control is causing the challenge.

The organizational control changes form in self-organizing organizations. Thompson (2015, p.341) say that when control turn into commitment and rules into values, the employees have more freedom to share the responsibility and participate. According to Barker (1993), concertive control is system that has value-based normative rules so the employees' actions could be explained by it as well. If we look at organizational control with the lens of self-governance control, commitment and values can be seen as another form of control. Self-governance control means form of self-regulation when the individual controls their own behaviour from inside out to match to the social practices, like culture of the company (Rantakari et al., 2017). There is no hierarchy in self-organizing organization that could work as a base for traditional form of control, so self-organizing organization needs to create new designs for the organizational control.

The aim of self-organizing organization is not to have the traditional form of control, as that does not support the model. When a company wants to be self-organized, there must be autonomy for the employees and ability to adapt and reach to the environment's changes quickly. If there is traditional form of control, these functions cannot happen. Employees do not have as much autonomy with the traditional form of control as when the organizational control is based on self-governance. When the authority is decentralized, there is no reporting relationship between manager and subordinate which removes the core building block of managerial hierarchy which is also the main mechanism of traditional control (Lee & Edmondson, 2017).

When people have enough authority to do their work, they can serve their customers the best (Martela, 2019). At the case company, employees do have enough authority to do their best job as we can state from the data when one of the interviewees said that there is the power to progress as you wish with your projects. As the findings state, employees at the case company need the autonomy to function, employees who have understood the self-organizing model are used to the autonomy that they would not function the same way without it. This autonomy makes the employees truly powerful to make their own decisions.

According to Lee and Edmondson (2017) there are three characteristics that define self-organizing organizations and one of them is that the decentralization of authority takes place throughout the organization and only few key elements are left for top management. Here is the dilemma, it is natural that we leave some of the functions for the top management, but at the same time we are trying to say that there is no bureaucratic control. According to Thompson (2015, pp.341-342) it should be possible to have more bureaucratic form of control in some functions together with less bureaucratic control in other functions. We need to understand that we cannot completely get rid of traditional form of organizational control.

As the managers need to give up most of their control and according to Laloux (2014, p. 245) that is one of their most challenging tasks. In the findings, it is also stated that it is challenging. When the company is based on self-organized model, leaders need to be able to give up control, even though it is challenging. However, even though the control is given away, it does not mean that there are no limits at all, there are always some decisions that the higher management needs to do (Martela & Jarenko, 2017, p.13).

In the findings it came out that there is a powerless feeling when the progress slows down due to the client because the client does not work the same way as the case company. As mentioned previously, there are still companies that do want to function with the old bureaucratic model due to its economies of scale and sense of control (Laloux, 2014, p.73). It might cause delays when one company is self-organized and able to proceed with the project by the authority of the team, but the other company

needs to consult more levels. The different organizational model of another company can be seen as a challenge for a self-organized organization.

The role of control in self-organizing organization is huge. At first one cannot realize it but once you look deeper, you realize that all the functions are based on it on some level. As mentioned previously, when people join forces, there are always structures of control (Jermier, 1998). According to the findings, the role of control is within the individuals. The case company functions perfectly fine even though there is no management to make decisions, command and control. In this case the control is coming from different forms of control, like self-governance, which is also stream of literature that needs more research and that way we could understand more about it. Some functions do need the more traditional form of control, like decisions regarding the whole business.

Business is constantly changing, and organizations and people working in them, need to be able to change according to the situations. As also mentioned by one of the interviewees, there is always something that can be improved and that is what will modify businesses too. Self-organizing is becoming more popular form of organizing and together with it, other parts of organizing need to change as well, like control.

## **5.2 Concluding remarks**

This study contributes to the understanding of the challenges of self-organizing organizations which is a topic that has not been previously extensively researched. This study also contributes to the understanding of role of control in self-organizing organizations. From this study we can conclude that the challenges that self-organizing organizations face, are related to different forms of control. Previously organizations have been managed with traditional form of control that is based on command and manager-subordinate relationship and in self-organizing organization, the management with the authority is removed which also removes the possibility for the traditional form of control. This is the reason that different forms of control are needed. This study is showing that concertive control and self-governance control are forms of control that are used as a form of organizational control in self-organizing organizations.

The challenge occurs when people are used to the traditional form of control and now it does not exist in the company and they actually have to take the responsibility themselves. The challenge also comes when there are situations that are strongly based on the traditional form of control and have not yet formed ways to function properly with different forms of control. Example of this situation is for example when there are decisions to be made that include many people. With traditional form of control, it would be clear who makes the decision but with other forms of control, this is something that has not yet found the functional form, or the rules and limits have not yet formed.

### **5.3 Managerial implications**

From managerial perspective, this study was aiming to understand the challenges that self-organizing organizations face. Even though there are not managerial layers in in self-organizing organizations, the companies in general, the CEOs of the companies and managers in companies that are wanting to move towards self-organization, can take some learnings from this study.

From the findings, the case company gets the idea, what kind of challenges they have. The case company can try and find out the situations, when the decision-making slows down and make a plan how to deal with those situations. From this study they get the idea that it would be good to describe more clearly the responsibilities when decisions are including many people. This way they could be even more effective in decision-making.

In general, this study gives good insights for organizations that have organized themselves in self-organizing form. They can make sure that they have moments that include decisions about many people, covered. Organizations can define the form of control more precisely. This study also helps organizations to move towards self-organizing organization model when the study revealed that there are no number of challenges so the model can actually work.

#### **5.4 Limitations and suggestions for further research**

As the study was made as a single case study with structured email interviews, it naturally has limitations but also provides possibilities for further research. First of all, the study could have been done as a multiple case study, and that would have given more in-depth data from different companies. Due to the COVID-19 the resources of the companies were not the same as in the normal situation so short email interview was preferred. With face-to-face semi-structured interviews, the data could have been wider and more detailed. In face-to-face interviews different nonverbal messages can be also noticed but on written form they are missed. Also, the number of the interviewees was limited so bigger amount of the responds could have given better understanding of the findings as well as maybe brought different findings.

As the topic of challenges in self-organizing organizations is not widely researched yet, would be good to do even more in-depth research. I see that ethnography research where the researcher spends time in the company, could provide broader understanding of the challenges. This way there could be more situations to analyse and the challenges would not be subjective by the responder, but the researchers could do their own observations. Now this research is giving a small sample of one Finnish company in one industry. Different industries could be taken into account as well as now the research was done in service-based IT company, but self-organization model is practiced also in manufacturing for example. Future research could also be done with international companies as they could face different challenges than Finnish self-organizing companies as the way of working is differed.

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## APPENDIX

Interview questions:

What does self-organizing at work mean to you?

What process in your company feels the most effective?

What process in your company feels ineffective?

How does innovation show in your company?

In what situations do you feel it's challenging to communicate with other teams?

When does decision-making slowdown in your work/projects?

How is conflict dealt with? Do you have an example when this way did not help to resolve the conflict?

What motivates you the most at your work?

When do you feel that responsibility is not shared equally?

In what situation have you regretted that you have given feedback for a peer/colleague?

In what kind of situation, you don't know that work you are doing, is enough?

How is appreciation shown at your company?

What was the last situation you felt like you do not have enough power? (to make a decision or to proceed in your work for example)

What kind of development areas have you noticed at your company?

What kind of career development opportunities do you see for yourself at your company?