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THE EFFECTIVENESS OF LESS-HIERARCHICAL ORGANIZATIONS: AN EMPOWERMENT-BASED APPROACH

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Acknowledgments

Abstract

Social and contextual changes had led to the birth of new organizational models aimed at reducing or eliminating hierarchy. This study investigates the effectiveness of such models, defined as "less-hierarchical organizations". Two business cases were analysed, and the psychological empowerment model was used to assess their effectiveness. The results indicate that less-hierarchical organizations are not necessarily more effective than traditional hierarchical ones but may be more suitable in certain contexts. Additionally, transitioning to such models can be challenging and firms adopting them should carefully evaluate progress after the implementation. Furthermore, less-hierarchical organizations seem more suitable to manage sustainability; it would be interesting if further research focused on this area.

List of Figures

List of Tables

<h1 style="text-align: center;">Table of Contents</h1>

Introduction

Probably one of the first things that comes to mind when thinking about corporate organizations is their hierarchical structure. Since Weber's (1946) discussions about bureaucracy and hierarchical management, many firms have adopted such an organizational model, and even today it is synonymous with efficiency (Jaques, 1990; Matjie, 2023). The possibility of clarifying roles and responsibilities, having managers control the work of subordinates, and setting rules and general policies are some of the characteristics that have contributed to the longevity of hierarchies (Lee and Edmondson, 2017; Matjie, 2023; Weber, 1946). This form of organization is so deeply rooted in our society that it is almost difficult to imagine alternatives to it. Yet, changing environmental conditions and new societal trends have pushed scholars (e.g., Laloux, 2016; McGregor, 1960; Robertson, 2015) and firms to look for new ways of organizing.

Specifically, the predictability and control that very hierarchical structures ensure come at the cost of making organizations less flexible and less prompt to innovate (Donnellon and Heckscher, 1994; Lee and Edmondson, 2017). Furthermore, the constant focus on reaching organizational goals may lead to a disregard for the needs that motivate people, resulting in negative effects on employees such as demotivation and dissatisfaction (Majtie, 2023; McGregor, 1960). These elements have become increasingly incompatible with current market and social trends. Consumer demands are now highly unpredictable (Drenick, 2022), competition is fierce across all sectors and business must be more prepared to serve their clients with unique business models (Dobbs et al., 2015). Innovation occurs much more frequently (Dobbs et al., 2015), and employees have understood the importance of a sense of meaning in their work, beyond mere bonuses and pay (De Smet et al., 2021). Organizations that fail to adapt to these new trends will struggle to survive.

Recognizing the need for change, scholars (e.g., Lawler, 1986; Robertson, 2015) have begun questioning whether new forms of organizing work, particularly less hierarchical ones, could better prepare firms to face these conditions. With this objective in mind,

a new literature concerning empowerment was developed (e.g., Conger and Kanungo, 1988; Thomas and Velthouse, 1990; Spreitzer, 1995) and more recently new writings have addressed the phenomenon of less-hierarchical organizations (e.g., Laloux, 2016; Robertson, 2015).

This study aims to clarify the concepts of empowerment and less-hierarchical organizations, and then seeks to answer the following research questions: (1) What drives organizations to adopt less hierarchical structures? (2) How does this transformation occur? (3) How do processes change? (4) Do less-hierarchical organizations lead to more motivated individuals? (5) Are employees more satisfied? (6) Are employees more committed to the organization? (7) Do less-hierarchical practices positively impact performance? (8) Overall, what are the main benefits and limitations of these approaches?

To achieve this goal, we will first present a theoretical background to better understand the definitions of empowerment and less hierarchical organizations, as well as their most recent forms. Then, we will introduce the research methodology focused on the analysis of two business cases, followed by the presentation of research results, which will provide insights into the implementation of these organizational forms. Finally, we will discuss these findings in the discussion section.

This research aspires to contribute to the literature on less-hierarchical organizations, since it presents a business case that has not yet been widely analysed. It also seeks to stimulate interest for future analyses concerning less-hierarchical forms of organizing work.

1 Empowerment

In 1951, Eric Trist, a member of the Tavistock Institute [1] , observed that semiautonomous groups of workers were more productive and satisfied than those in traditionally organized work settings in British coal mines (Bernstein et al., 2016; Lawler, 1986; Trist & Bamforth, 1951). Some years later, in 1960, McGregor highlighted how wrong assumptions about human nature (e.g., that individuals are lazy and must be controlled) had led to an organizational paradigm that completely disregards individuals' needs, making work demotivational (McGregor, 1960). According to him, if organizations stopped constantly controlling employees and gave them more autonomy to accomplish their tasks, not only would individuals be more motivated to carry out their tasks, but companies would also benefit from the creativity of individuals in solving organizational problems (McGregor, 1960).

It was precisely from these early writings that the concept of empowerment began to emerge, along with a wide literature aiming to explore the consequences more autonomous employees could bring to organizations. However, as we will see, empowerment is not only about autonomy. The concept has evolved over time from an exclusively social-structural perspective to a more complex psychological one (Spreitzer, 2008). Therefore, let us first present the evolution of the definition of empowerment and then introduce a model that explains it in detail, highlighting its antecedents and consequences, as this will be useful later.

1.1 A definition for empowerment: an evolutionary concept

Before giving a definition to empowerment, it is worth understanding the notion of power in organizations. Typically, an individual has organizational power when he has control over organizational resources, including employees (Conger and Kanungo, 1988). This means that powerholders can influence other actors to act in a way that aligns with their purposes and interests (Salvemini, 2017). Power is typically

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[1] The Tavistock Institute of Human Relations is a non-profit organization established in 1947. One of its main objectives is to conduct research on human relations to improve working life and conditions for all individuals in organizations. (TIHR, 2023)

associated with the structural position and corresponding formal authority within the organization. However, there are also other sources of power, such as powerholders' personal characteristics, expertise, and/or access to information or knowledge (Conger and Kanungo, 1988).

Having this idea in mind, empowerment can be defined as "*providing power to organizational participants who previously did not possess it*" (Liden and Arad, 1996). Therefore, in its more traditional view, known as social-structural empowerment (Spreitzer, 2008), it focuses on managerial practices that enable the delegation and decentralization of decision-making power to lower-level employees (Conger and Kanungo, 1988; Spreitzer, 2008). The way in which this delegation of authority occurs varies among practices. However, what unites the authors discussing social-structural empowerment is their interest in determining whether these practices increase motivation, satisfaction, and overall organizational effectiveness (Black and Gregersen, 1997; Cotton et al., 1988; Hackman and Oldham, 1980; Lawler, 1986; McGregor, 1960)

Although some authors reached the conclusion that delegating authority can enhance organizational effectiveness (Hackman and Oldham, 1980; Lawler, 1986; McGregor, 1960), other scholars have questioned whether simply giving more autonomy to employees is enough to improve performance (Conger and Kanungo, 1988; Liden and Arad, 1996; Spreitzer, 1995; Thomas and Velthouse, 1990). Specifically, Conger and Kanungo (1988) argued that participative management practices alone will not automatically empower employees. They argue, in fact, that empowerment is more than sharing authority and resources with individuals; it is a psychological concept (Conger and Kanungo, 1988). According to them, employees will only feel more powerful if the participative practices introduced by the organization improve their feelings of self-efficacy (Bandura, 1977) – their belief in their ability to perform effectively (Conger and Kanungo, 1988; Thomas and Velthouse, 1990).

Later, Thomas and Velthouse (1990) expanded on this idea, defining empowerment as "*increased intrinsic task motivation*". This involves positive experiences individuals derive directly from tasks (Thomas and Velthouse, 1990), promoting motivation and satisfaction through elements such as meaning, competence, self-determination, and impact (Spreitzer, 1995; Thomas and Velthouse, 1990). Based on these elements, Spreitzer (1995) developed the first multidimensional instrument to assess psychological empowerment, and other models expanded the analysis to the team level (Kirkman and Rosen, 1999).

1.2 A model for psychological empowerment

Acknowledging this definition, it is now possible to present a model that identifies the four elements constituting psychological empowerment, as well as the antecedents that influence them and the consequences for the organization. This model, presented in Figure 1, revises the major contributions of the literature to the concept of empowerment. In brief, antecedents influence individuals' perceptions of the tasks they need to perform, motivating them to adopt certain behaviours, which in turn lead to consequences for the organization (Thomas and Velthouse, 1990).

Let's start with the centre of the model, which represents the four elements of psychological empowerment: meaning, competence, self-determination and impact.

Contextual Antecedents

- Participative management practices
- Work design
- Socio-political support
- Leadership
- Information
- Rewards

Individual Antecedents

- Knowledge and Skills
- Positive self-evaluation
- Need for power

Psychological Empowerment

- Meaning
- Competence
- Self-determination
- Impact

Consequences

- Job satisfaction
- Organizational commitment
- Strain
- Task performance
- Innovation
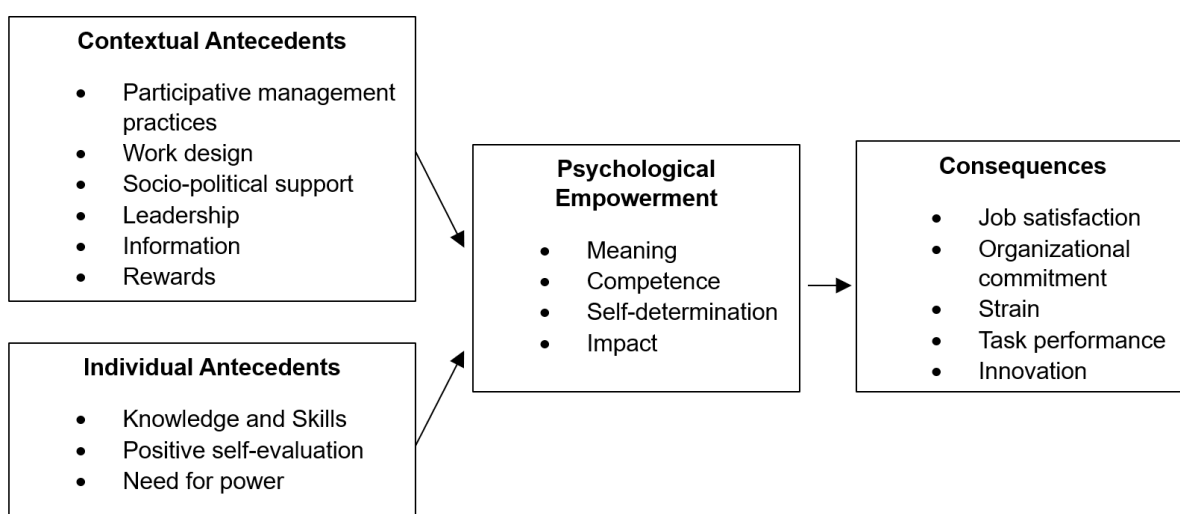
Figure 1: Psychological Empowerment Framework (Modified from sources: Lawler, 1986; Spreitzer, 1995; Seibert, Wang and Courtright, 2011)

Meaning. Meaning refers to the importance and value an individual attributes to their tasks, based on their own ideals or standards (Hackman and Oldham, 1980; Spreitzer, 1995; Thomas and Velthouse, 1990).

Competence. Competence or self-efficacy (Bandura, 1977) concerns the individual's perception of their ability to perform activities with skill (Spreitzer, 1995; Thomas and Velthouse, 1990).

Self-determination. Self-determination or choice (Deci, Connell and Ryan, 1989; Thomas and Velthouse, 1990) regards the perceived autonomy an individual has in initiating and regulating actions (Spreitzer, 1995).

Impact. Impact refers to the belief that an individual can make a difference within the organization (Thomas and Velthouse, 1990). Therefore, it relates to the importance of the individual's tasks in the work environment (Kirkman and Rosen, 1999; Spreitzer, 1995).

These same variables can be used to evaluate team empowerment, with the only difference being that competence is called "Potency" in the team empowerment model and self-determination is called "Autonomy" (Kirkman and Rosen, 1999).

The presence of these four elements contributes to an active orientation of the individual to a work role, enabling employees to feel both motivated and capable of shaping their role and environment (Spreitzer, 1995). The higher those four perceptions that people have regarding their work environment, the more empowered individuals will feel (Spreitzer, 1995).

For this reason, it is crucial to identify and explain the antecedents that increase the levels of the four elements described above. Let's first examine the contextual antecedents, which concern how organizations structure the work environment of their employees, and then the individual ones, which regard personality traits and individual characteristics associated with psychological empowerment (Seibert, Wang and Courtright, 2011).

1.2.1 Contextual Antecedents

Participative management practices. The first antecedent, widely discussed by social-structural empowerment authors, concerns managerial techniques that delegate authority to employees, increasing their degree of participation in decision-making (Lawler, 1986). This antecedent is closely related to the self-determination dimension of empowerment, as when employees participate in decision-making, their feelings of autonomy at work increase (Seibert, Wang and Courtright, 2011). The extent of employee participation can vary significantly depending on the techniques used. Indeed, it may concern only day-to-day decisions (e.g., delivering products or services) or also include more strategic decisions (e.g., entering new markets, allocating resources) (Cotton et al., 1988; Lawler, 1986). Furthermore, decision-making delegation can also range from employees just providing ideas and opinions, to employees completely making decisions without superiors' intervention (Cotton et al., 1988; Lawler, 1986; Vroom and Yetton, 1973).

Work design. Although the abovementioned antecedent is crucial for higher perceived self-determination, psychological empowerment authors argue that more autonomous individuals and teams will not spontaneously lead to increased intrinsic task motivation, as such practices impact only one dimension of empowerment (Kirkman and Rosen, 1999; Lee and Edmondson, 2017). Therefore, it is essential to consider autonomy and participative management techniques within the broader construct of work design theory (Hackman and Oldham, 1976), which includes four other dimensions: skill variety, task identity, task significance, and feedback (Hackman and Oldham, 1976).

When jobs are designed in a way that requires a variety of skills, employees find their jobs more challenging, leading to higher levels of meaningfulness (Liden and Arad, 1996). Similarly, when tasks allow individuals to see the visible outcomes of their efforts (task identity) and are perceived to have a considerable impact on the lives of others (task significance), employees feel that their work is useful and important (Hackman and Oldham, 1976). Finally, when feedback is provided, employees receive

information about the effectiveness of their performance, increasing their self-efficacy (Lawler, 1986; Seibert, Wang and Courtright, 2011).

Socio-political support. Another antecedent for psychological empowerment is socio-political support, which refers to the approval and assistance an individual receives from organizational members, including owners, superiors, colleagues, and others (Spreitzer, 1996). When individuals feel supported by their organizational network, their levels of self-determination and impact increase (Spreitzer, 1996), as they perceive themselves as important to the organization (Seibert, Wang and Courtright, 2011).

Information. Sharing information regarding both the organization's mission and individual performance also contributes to higher intrinsic motivation (Lawler, 1986; Spreitzer, 1995). When individuals clearly understand the purpose of the organization and its larger goals and strategies, their sense of meaning will increase, as they will understand the rationale behind their tasks (Seibert, Wang and Courtright, 2011; Spreitzer, 1995). Additionally, when they receive constant feedback about their performance, their feelings of competence and self-determination will be reinforced, as they can better determine the actions needed to improve their performance (Seibert, Wang and Courtright, 2011; Spreitzer, 1995).

Leadership. Supportive and trusting leadership is another key antecedent for empowerment. Leaders play a crucial role in influencing the work experience of followers (Seibert, Wang and Courtright, 2011). When leaders share strategic information with their teams, provide feedback and coaching, and foster participation and autonomy, feelings of meaning, competence and self-determination among employees increase (Seibert, Wang and Courtright, 2011). On the contrary, if leaders constantly control followers and do not trust them, individuals will not be motivated to do their tasks (McGregor, 1960).

Rewards. The final contextual antecedent affecting empowerment is a reward system based on individual performance (Lawler, 1986). This is because individual-level

rewards enhance employees' ability to understand and improve their personal competencies, as well as participate in and influence decisions (Spreitzer, 1995).

1.2.2 Individual Characteristics

Knowledge and Skills. Moving on to the individual antecedents, the first important individual characteristic in the empowerment model is knowledge. It may concern both technical knowledge acquired through education and/or experience, and interpersonal skills, such as problem-solving and leadership skills (Lawler, 1986; Seibert, Wang and Courtright, 2011). In addition, knowledge can also pertain to "*knowledge of results*" (Hackman and Oldham, 1976), which individuals gain through feedback from leaders (Lawler, 1986). This individual dimension has been proven to have a positive relationship with empowerment, as it increases the senses of competence, self-determination, and impact (Seibert, Wang and Courtright, 2011). More knowledgeable individuals, in fact, will be more confident about their capabilities and eventually feel freer to take individual action (Lawler, 1986).

Positive self-evaluation traits. The second individual antecedent for psychological empowerment is core self-evaluation, which represents an essential assessment individuals make about their importance, competencies, and skills in relation to their environment (Seibert, Wang, and Courtright, 2011, p.984). It includes four dimensions, all summarized in Table 1:

Table 1: The four core traits constituting core-self evaluation

Dimension	Meaning
Self-esteem	Reflects the general worth that individuals attribute to themselves as people (Harter, 1990; Judge et al., 2003).
Generalized self-efficacy	Pertains to the assessment of one's ability to perform effectively in different situations (Locke, McClear and Knight, 1996; Judge et al., 2003).
Neuroticism	Refers to a tendency to adopt a negative cognitive style, focusing on negative aspects of oneself (Watson, 2000; Judge et al., 2003).
Locus of control	Concerns beliefs about the reasons behind events in one's life. An internal locus of control is when individuals perceive events as dependent on their own actions, rather than on external factors (Rotter, 1966; Judge et al., 2003).

(Modified from source: Judge et al., 2003.)

An individual experiences positive evaluation traits when self-esteem and generalized self-efficacy are high, neuroticism is low, and locus of control is internal (Judge and Bono, 2001). When this occurs, psychological empowerment tends to increase (Seibert, Wang, and Courtright, 2011). Generally, individuals with high core self-evaluation seek challenging roles (Seibert, Wang, and Courtright, 2011), experience positive feelings while performing their tasks (Seibert, Wang, and Courtright, 2011), perceive themselves as valuable resources capable of fulfilling their responsibilities (Spreitzer, 1995; Thomas and Velthouse, 1990), and believe they can influence their work environment (Spreitzer, 1995; Thomas and Velthouse, 1990). Collectively, these characteristics enhance the four elements that constitute psychological empowerment.

Need for power. The last individual antecedent for empowerment is an employee's need for power or desire to have control over decisions, which, as McClelland (1971) pointed out, is a motivational construct. Some people have a stronger need for power than others and are therefore expected to respond more positively to more autonomous and challenging jobs (Liden and Arad, 1996). On the contrary, people with a low desire for control will not appreciate a role that requires too many decision-making responsibilities (Liden and Arad, 1996).

1.2.3 Consequences of psychological empowerment

Having understood all the antecedents that contribute to psychological empowerment, we can now focus on the consequences that empowered employees bring to organizations.

Job Satisfaction. Job satisfaction refers to how well an individual's needs are met in the workplace (Locke, 1976). When employees have needs for control, power, participation, and self-esteem, a sense of meaning, self-determination and competence allow them to fulfil these needs, increasing their levels of job satisfaction (Lawler, 1986; Seibert, Wang, and Courtright, 2011).

Organizational commitment. Higher levels of intrinsic motivation lead to greater organizational commitment (Meyer, Becker and Vandenberghe, 2004). Therefore,

more empowered individuals will be more loyal to their organization and less likely to leave it. This occurs because the meaning dimension of empowerment permits an alignment between an individual's values and their work responsibilities, enhancing employees' affection for the organization (Seibert, Wang, and Courtright, 2011). Additionally, increased self-determination, competence, and impact can also enhance commitment, as they allow individuals to express their values and interests through their job (Seibert, Wang, and Courtright, 2011).

Strain. Although empowerment presupposes individuals gaining more responsibilities, which could potentially lead to increased stress at work, a negative correlation was found between strain and empowerment (Seibert, Wang, and Courtright, 2011). This is due to higher feelings of control that self-determination, competence and impact provide, reducing stress (Seibert, Wang, and Courtright, 2011).

Task Performance. Thomas and Velthouse (1990, p.673) highlighted that the four elements of psychological empowerment lead to higher levels of concentration, initiative, resiliency, and flexibility in individuals, all of which are crucial in producing high-quality work results. Furthermore, Spreitzer (1995, p.1448) underlined that the increased sense of competence produced by empowerment may encourage individuals to proactively execute their job responsibilities by anticipating problems and acting autonomously, thus making them more likely to be effective.

Innovation. Finally, empowered employees also tend to be more innovative, meaning they solve problems creatively, propose new ideas for products/services, suggest changes in procedures, etc (Seibert, Wang, and Courtright, 2011; Spreitzer, 1995). With a higher sense of autonomy than non-empowered employees, they feel freer to express their opinions and undertake innovative action (Spreitzer, 1995). Their heightened feelings of competence and impact also contribute to innovation, as they feel capable of achieving successful results (Spreitzer, 1995).

2 Less-hierarchical organizations

Recognizing the positive benefits that empowered individuals bring to organizations, some theorists (Buck and Endenburg, 2010; Laloux, 2016; Robertson, 2015) have questioned what organizations would look like if decision-making power involved not only a few individuals but nearly the entire company. It is precisely from these interests that new organizational models have been developed aimed at enabling greater employee participation in decision-making processes, based on the belief that this would positively impact organizations. These models fall under the broad umbrella of less-hierarchical organizations. In this paragraph, we will first define such organizations and then analyse some of the most recent approaches developed in the literature, highlighting how processes and structures are changed compared to traditional hierarchical models.

2.1 A definition of less-hierarchical organizations

In contrast to highly hierarchical structures, characterized by many layers and a top-down command-and-control chain [2] (Weber, 1946), less-hierarchical organizations adapt the managerial hierarchy to decentralize authority (Lee and Edmondson, 2017). This decentralization can be achieved by reducing the number of organizational layers or by distributing authority more equitably across the existing hierarchical levels (Lee and Edmondson, 2017).

Lee and Edmondson (2017) distinguish between two macro categories of less-hierarchical organizations: incremental and radical. Incremental approaches grant employees more autonomy while maintaining the manager-subordinate relationship, smoothing the edges of the managerial hierarchy rather than eliminating it (Lee and Edmondson, 2017). In contrast, radical approaches decentralize authority by completely removing the manager-subordinate relationship, replacing the pyramidal

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[2] The chain of command refers to a series of positions of authority or rank within an organization that are ordered from lowest to highest (Encyclopaedia Britannica, 2024).

structure with a different organizational model (Lee and Edmondson, 2017). Therefore, such organizations are also referred to as "self-managed organizations", emphasizing their unique feature of operating without the traditional manager-subordinate dynamic (Lee and Edmondson, 2017).

Moving on to the examination of some organizational models aimed at reducing hierarchy, we will first present some incremental approaches and then proceed to the radical ones.

2.2 Incremental approaches to less-hierarchical organizations

2.2.1 Agile

Agile is a management methodology that maintains the hierarchical structure of an organization but delegates decision-making power to self-managed teams functioning in rapid-learning and fast-decision cycles (McKinsey, 2023; Rigby, Elk and Berez, 2020). The main goal of this approach is to enhance the speed and flexibility of organizations operating in a constantly changing environment (McKinsey, 2023).

Central to agile methodology is the continuous focus on meeting the needs of both internal and external stakeholders, including employees, consumers, investors, and the external community (McKinsey, 2023; Rigby, Elk and Berez, 2020). Indeed, the strategy formulation process begins with the inputs that executives receive directly from clients (Rigby, Elk and Berez, 2020). Based on these, the organization sets its future targets and creates a list of activities aimed at achieving these goals structured by priority and sequence of implementation (Rigby, Elk and Berez, 2020). Afterward, the firm plans the financial resources required for each project and creates a taxonomy of teams intended to advance them (Rigby, Elk and Berez, 2020).

Each team has a so-called "Project Owner" who structures the initiatives that it must carry out and acts as a bridge between teams and managers (Rigby, Sutherland and Takeuchi, 2016). This figure does not dictate how teams should accomplish their tasks.

Teams are multidisciplinary and make all decisions related to their projects, without the intervention of superiors (Rigby, Sutherland and Takeuchi, 2016). Leaders, in fact, act much more as facilitators and coaches than bosses, aiming to protect teams from possible distractions (Rigby, Sutherland and Takeuchi, 2016).

Furthermore, to ensure adaptability and speed, agile revolutionizes how teams conduct their work. Instead of working in a project for a long period, agile teams segment their work into different tasks, each of which has a short period for completion. After each period, feedback is collected from users, enabling teams to constantly modify their work based on the changing needs of clients (McKinsey, 2023; Rigby, Elk and Berez, 2020). This iterative approach allows long strategic plans and budgets to be divided into smaller pieces and modified as necessary (Rigby, Elk and Berez, 2020).

In terms of human resources management, agile organizations have different processes compared to traditional hierarchical organizations. Recruitment focuses not only on qualification, but also on candidates' values and cultural fit (Rigby, Elk and Berez, 2020). Performance measurement does not occur only once a year but more frequently (Cappelli and Tavis, 2018; Ranasinghe and Sangaradeniya, 2021). Compensation depends both on individual and team performance. (Cappelli and Tavis, 2018; Rigby, Elk and Berez, 2020). Career advancement is determined more democratically, with team members evaluating whether an aspiring leader has the necessary skills to advance (Ranasinghe and Sangaradeniya, 2021; Rigby, Elk and Berez, 2020).

Lastly, agile methodology offers organizations flexibility in its application. Firms have complete freedom to decide in which parts of the organization to use self-managed agile teams and in which others to maintain a more traditional form of organizing work (Rigby, Elk and Berez, 2020). Agile, in fact, is usually used for tasks that require innovative thinking and are characterized by unpredictability (Rigby, Sutherland and

Takeuchi, 2016). In this way, for instance, a firm may use agile teams for launching a new marketing campaign while maintaining its traditional sales network for selling products.

When implemented effectively, agile can lead to many benefits for the organization, including higher revenues, increased customer satisfaction, higher employee engagement and cost reduction (Aghina et al., 2021; Rigby, Elk and Berez, 2020)

2.2.2 Sociocracy

Another organizational model that does not eliminate hierarchy but adapts it to ensure more participation of workers in decisions is "sociocracy" or "dynamic governance" (Buck and Endenburg, 2010). Sociocracy literally means "*rule by the socios*", referring to people who have a social relationship with each other (Buck and Endenburg, 2010). The rationale behind this denomination is that in dynamic governance, group of workers can self-organize their work (Buck and Endenburg, 2010).

Specifically, the structure of sociocracy is formed by semi-autonomous circles, which are groups of individuals led by a manager or supervisor. Each circle has a specific goal and organizes its tasks accordingly (Buck and Endenburg, 2010). In terms of decision-making inside each circle, day-to-day decisions are made in a traditional manner, with leaders issuing orders to followers who then execute them. However, a different approach is taken for policy or strategic decisions, that is, decisions about how the circle will operate in the future (Buck and Endenburg, 2010; Romme and Van Witteloostuijn, 1999; Villines, 2021). Particularly, those decisions are made by consent after a formal group discussion, meaning that the decision is made only if there are no objections to it (Buck and Endenburg, 2010). Such a system allows for open discussions between team members on those matters that significantly impact their work and enables managers to receive constant feedback from employees (Buck and Endenburg, 2010; Romme and Van Witteloostuijn, 1999).

A typical decision made by consent concerns the election of individuals for roles or tasks (Buck and Endenburg, 2010). For instance, if it is necessary to appoint an individual to a new role, team members nominate the person they believe is most suitable, explaining their choice. If there are no objections to the nominated person, they assume the role (Buck and Endenburg, 2010).

A further key aspect of this model concerns double linking (Romme and Van Witteloostuijn, 1999), represented in Figure 2. In particular, the organizational structure of a sociocracy can be represented as a hierarchy of circles. Each lower circle is represented in the higher circle by two figures: the circle manager and the circle representative. The former is appointed by members in the higher circle, while the latter is elected by members of the lower circle (Romme and Van Witteloostuijn, 1999). Therefore, in a sociocracy, the traditional hierarchy with its top-down control remains, but a feedback flow from the bottom to the upper part of the organization is added, through employees' representatives in each higher circle (Buck and Endenburg, 2010). This feature keeps the top of the organization constantly aware of the needs and opinions of lower-level employees.
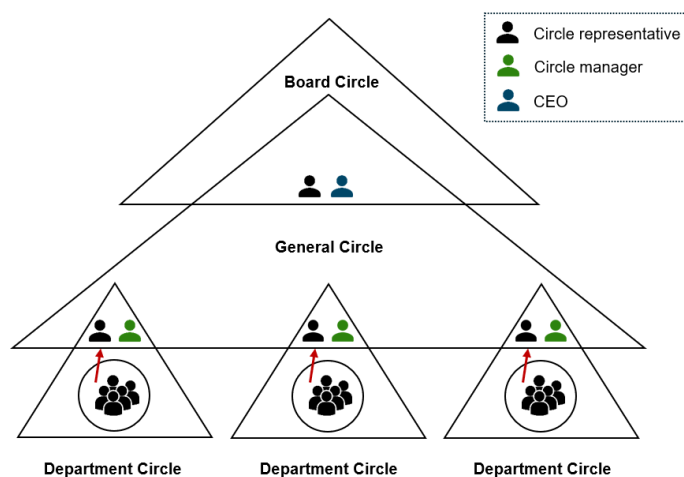
Figure 2: Dynamic Circle Structure (Modified from source: Buck and Endenburg, 2010, p.13)

Before moving on to the next organizational model, there are two other elements worth analysing. The first concerns the remuneration of employees, which in a sociocracy includes a fixed base salary as well as a portion of compensation based on the profits

or losses of the department or organization (Buck and Endenburg, 2010). The second regards the possibility of using dynamic governance throughout the entire organization or just in a part of it, such as a specific department or function, thus granting flexibility in implementation (Buck and Endenburg, 2010).

2.3 Radical approaches to less-hierarchical organizations

2.3.1 Holacracy

Having delineated these incremental approaches, it is now time to consider more radical ones. The first one is Holacracy, which is somewhat similar to a sociocracy but with the main difference that traditional hierarchy is completely replaced by another organizational structure (Robertson, 2015). Indeed, Holacracy's structure can be represented as a set of circles, like the one in Figure 3. As shown, there is a "General Company Circle" (GCC) containing the entire organization and its purpose. Within it, smaller circles correspond to what would traditionally be called as "departments" or "functions". Each circle can include multiple sub-circles, each of which contains a series of roles (Robertson, 2015).

Figure 3: Holacracy's circle structure (Modified from source: Robertson, 2015, p.47)

A peculiar aspect of Holacracy is its strong emphasis on roles and their definitions (Robertson, 2015). In traditional organizations, individuals have a role but often do not fully understand their job description or those of their colleagues, leading to confusion about areas of responsibility. It is not uncommon, in fact, that when something new

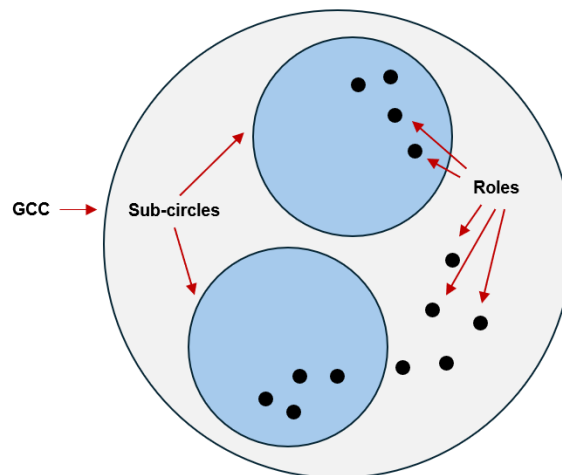needs to be done in traditional organizations, there may be ambiguity about who should carry out that work, sometimes resulting in two people doing the same task (Robertson, 2015). Holacracy tries to overcome this issue by establishing a formal structure where everyone is completely aware of the purpose, domain and responsibilities of their roles. In this way, every individual within the organisation knows where they have full autonomy to make necessary decisions to fulfil their responsibilities (Khoury, Jaouen and Sammut, 2024; Robertson, 2015). However, this does not mean that everyone can act independently without coordination with team members and the organization as a whole. Each circle, in fact, holds frequent strategy, tactical and governance meetings (Robertson, 2015).

Strategy meetings are held every six months and aim to give a common direction to guide team members in future decisions (Robertson, 2015). Tactical meetings are held once a week and are needed to align the work of all members of the circle and collectively address challenges that may arise (Robertson, 2015). Finally, governance meetings are typically held once or twice a month. The latter adapt the organizational structure (Robertson, 2015) by creating new roles and circles, modifying existing ones, or eliminating them (Freitag, 2024). This ensures that authorities and responsibilities do not remain unchanged but can be constantly adjusted based on the needs of the organization. In these meetings, decisions that concern the entire circle are made by consent, similarly to sociocracy. This means that after some discussion, if nobody has a reasonable objection to the decision, it is made (Khoury, Jaouen and Sammut, 2024). To ensure that these meetings are conducted in the best interests of the organization and in a peaceful manner, each circle has four essential roles: Lead link, Representative link, Facilitator and Secretary (Robertson, 2015).

The "Lead Link" is a representative of the super-circle's needs in the sub-circle (see Figure 4). They align the sub-circle with the goals and strategies of the broader context (Robertson, 2015, p.49). Although this role includes some typical managerial tasks,

such as assigning people to roles and setting priorities, the lead link does not manage team members and thus cannot be called a manager. In fact, they do not direct the team or resolve tensions that may arise in the circle (Robertson, 2015, pp. 50-52).

On the contrary, the "Representative Link" is elected by the sub-circle and represents its needs in the super-circle (Robertson, 2015, p.49). This link has the responsibility to bring the sub-circle's interests and feedback to the super-circle, ensuring that the autonomy of the sub-circle is maintained. Both the lead link and representative link participate in meetings of both connected circles, enabling them to carry out their responsibilities as representatives (Robertson, 2015, p.50).
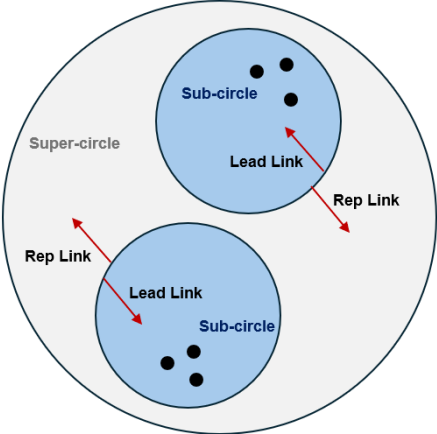
Figure 4: Linking Circles (Modified from source: Robertson, 2015, p.51)

Moving on, the "facilitator" ensures that each meeting adhere to the rules of the organization and manages any objection that may arise in the consent-based decision-making process (Robertson, 2015). Meanwhile, the "secretary" serves a more administrative function, scheduling the circles' meetings, informing participants about them and recording all meeting outputs in a virtual space. This transparency ensures that everyone is aware of the current governance structure in each circle, including its main projects and priorities (Robertson, 2015). As the Representative link, both the facilitator and secretary are elected by members of the sub-circle, usually for a one-year period (Robertson, 2015).

In summary, based on the characteristics just analysed, holacracy can be defined as a self-management organization as described in the introduction to this chapter (Lee

and Edmondson, 2017). By clarifying areas of responsibility in a very precise and formal way, everyone has a clear idea of which decisions can be made autonomously and which require some coordination with team members. In any case, the manager-subordinate relationship ceases to exist, making way for teams that manage their work autonomously.

2.3.2 Teal

The last model of radically less-hierarchical organization worth analysing is Teal, proposed in 2016 by Frederick Laloux in his book "Reinventing Organizations". This approach goes beyond delegating authority to employees as a means to improve the firm's performance. It aims to transform organizations into places where everyone can truly express themselves, where there is strong trust between colleagues, and where there is a very clear mission beyond making profits. Teal organizations, in fact, are based on three fundamental pillars: self-management, wholeness and evolutionary purpose (Khoury, Jaouen and Sammut, 2024; Laloux, 2016; Wyrzykowska, 2019).

Self-management. Regarding self-management, like other radical models, Teal organization replaces hierarchies with a network of self-managed teams. These may be organized as a chain of parallel teams or, similar to holacracy, as a set of circles, depending on the degree of interrelation required (Laloux, 2016, pp.449-455). For example, a consultancy firm might use parallel teams, each responsible for a specific client or geographic area, as the connections between teams are minimal. On the other hand, a manufacturing company with many different products might prefer a set of circles, as interconnected processes may demand greater collaboration.

Regardless of the structure adopted, teams in Teal organizations have a significant degree of autonomy and decision-making power (Wyrzykowska, 2019). They determine their work methods, set future plans, assign roles, make necessary investments, and recruit new members as needed. Additionally, individual performance

is assessed through peer reviews, where members evaluate one another, which are then used to determine salaries (Laloux, 2016, pp.150-208).

To ensure coordination, Teal enterprises may adopt several processes. One is the already mentioned "holacratic" decision-making process, which includes governance, tactical, and strategic meetings (Laloux, 2016; Robertson, 2015). Another is the consultation process, where team members evaluate the impact of their decisions on others and then integrate those affected into the decision-making process (Laloux, 2016). Additionally, teams are supported by coaches who help them frame problems and find solutions (Laloux, 2016). Finally, to guarantee full transparency and coordination between individuals and team members, Teal organizations typically adopt virtual systems where everyone can access relevant information (Laloux, 2016).

Wholeness. The second pillar, wholeness, aims to create a work environment where individuals can present themselves as they truly are, without wearing masks (Laloux, 2016; Wyrzykowska, 2019). It is not uncommon, indeed, for individuals in traditional organizations to show only certain aspects of themselves, aiming to appear as rational and strong as possible, possibly due to fear of criticism from others. However, by doing this, employees hide parts of their individuality, such as their most emotive, intuitive, and spiritual aspects, transforming workplaces into environments devoid of life (Laloux, 2016, pp. 209-212). On the contrary, teal organizations are fully aware that allowing individuals to be authentic at work can greatly benefit the company. For this reason, they have developed a series of practices to achieve wholeness in the workplace, which include creating spaces and moments for meditation and reflection, individual and group coaching, activities to truly get to know colleagues, conflict resolution meetings and welcoming buildings designs. In this way, people can reconnect with their own nature and build trusting relationships with their colleagues (Laloux, 2016, pp. 209-250).

Evolutionary purpose. The last pillar, evolutionary purpose, refers to the company's mission (Wyrzykowska, 2019). Unlike traditional firms where the purpose often means "making profits", Teal organizations, see the mission as a fundamentally different concept. It provides direction to the organization and guides the work of individuals (Laloux, 2016). For this reason, these organizations replace the classical fixed and precise plans, strategies, budgets, and objectives with softer approaches that allow the company to adapt its work according to changing environmental conditions (Laloux, 2016). Very precise strategic plans are not required, as the purpose itself serves as the general guidance for the organization (Laloux, 2016). Budgets are created by each team, and then discussed by a task force composed of people from all areas of the organization to evaluate feasibility. However, these are not made to control people and instill fear in case the goals are not achieved but to make decisions and organize work (Laloux, 2016). Teams are also free to set targets and objectives to stimulate continuous improvement, but these should not become an obsession, as objectives may need to be adapted according to market conditions (Laloux, 2016).

Additionally, teal organizations share their purpose with suppliers and clients, who are invited to collaborate with the company to find the best solutions to carry out its mission (Laloux, 2016, pp-311-312). Finally, for Teal enterprises to thrive, individuals' purposes and values must align with the organization one's. Therefore, human resources practices consider this alignment during selection and performance measurement (Laloux, 2016, pp. 315-317)

3 Methods

After this extensive theoretical discussion, it is now time to address the research questions. The chosen methodological approach was the analysis of business cases that have implemented less-hierarchical organizational models. To distinguish between incremental and radical approaches, we decided to identify two business cases, one for each category, in order to compare them. The first case examines

Mercur, a Brazilian company operating in the school supply and healthcare sector, while the second case analyses Zappos, an American firm specializing in online shoe retail.

The selection of these companies was made after conducting an electronic search using Google and Google Scholar. Specific keywords like "less-hierarchical organizations," "self-managed organizations," "agile," "sociocracy," "holacracy," and "teal organizations" were employed. The results included academic articles, online sources discussing business cases with such organizational forms, and company websites. Our initial objective was to identify firms that had not been extensively analysed in the literature, to explore new cases through primary data collection. Consequently, a list of possible target companies was created. Although we contacted all companies on the list, only Mercur agreed to participate. Zappos was not initially included on the list or contacted due to extensive existing analysis in academic literature. However, since no other company agreed to participate through primary data collection, we were pushed to include it in the study because of the wide availability of secondary data, which would allow us to make a more reasonable comparison with the first case.

Let's now describe the different methodological approaches used for the two cases.

3.1 Case I – Mercur

As mentioned above, for Mercur, we proceed with primary data collection, involving both qualitative and quantitative information. Two semi-structured interviews were conducted for qualitative data gathering. The first interview aimed to obtain general information about Mercur, including its history, current processes, and future outlooks. The second focused on HR practices, organizational culture, and leadership styles. All the questions asked are documented in Appendices A, and B, and the references for their formulation include Laloux (2016), Salvemini (2017), Seibert, Wang, and Courtright (2011), Spreitzer (1995), among others. The participants were selected directly by the company. Specifically, the first interview was conducted with Jorge

Hoelzel Neto, one of the company's facilitators of direction and a member of the third generation of the family owning the business. The other interview was conducted with Tailise Sá Franco, the formal leader of the Human Talents management area. Both interviews were conducted online, recorded and then transcribed to ensure data reliability.

Afterwards, a questionnaire was distributed among 43 employees across various departments of the company for quantitative data collection. All selected employees worked in teams and had a certain degree of autonomy in decision-making. To encourage more open responses, the questionnaire was completely anonymous. It was designed following the empowerment model described in the theoretical chapter, with some adaptations from psychological empowerment measures discussed by Spreitzer (1996), Lawler (1986), Liden and Arad (1996), Kirkman and Rosen (1997, 1999) and others. These adaptations were made to make the questionnaire less time-consuming and decrease the likelihood of random responses from employees. Indeed, as Krosnick (1991, pp. 213-215) pointed out, overly long questionnaires may lead to survey fatigue[3], thus potentially impacting the results negatively (Picket et al., 2014). All items in the questionnaire were rated on a five-point Likert scale, where 1 represented "strongly disagree" or "very dissatisfied" and 5 represented "strongly agree" or "very satisfied". Data analysis was carried out examining respondent percentages in all items, as well as weighted average means.

The rationale behind the aforementioned methodology was to allow us to gain a better understanding of why companies decide to change their organizational models, how traditional practices are modified to delegate authority, and whether less-hierarchical organizations truly empower employees, leading to the consequences that empowerment brings to companies, thereby evaluating the effectiveness of less-hierarchical organizations.

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[3] Survey fatigue happens when a respondent becomes unwilling to provide feedback in a survey, typically due to its length or frequency. (Fox, 2024)

3.2 Case II – Zappos

For Zappos, we conducted a similar analysis through secondary data collection from academic articles and online sources. This examination allowed us to gather relevant information about the history of Zappos, its transition to Holacracy, and its current processes, including Human Resources practices. We also obtained information about the main benefits and difficulties associated with the transition. Additionally, we attempted to infer whether the company's employees may have high or low levels of empowerment.

3.3 Methodological Limitations

The methodology adopted in this study has several limitations. The first concerns inconsistency between methods. Indeed, two different approaches were used for the analysis of the two business cases, negatively impacting comparability between them. Additionally, for Mercur, primary data collection involved simplifying items in the questionnaire compared to the reference literature to avoid overly long questionnaires. However, this simplification may have come at the expense of measurement rigor, as less information was collected. Furthermore, despite the questionnaire being anonymous, there remains a possibility that participants were pushed not to disagree with certain statements due to fear of criticism from organizational members. Survey fatigue could also potentially affect the results since all the questions were formulated in the form of "Matrix Questions," and studies have shown that excessive use of such questions may lead individuals to answer randomly (Krosnick, 1991; Picket et al., 2014; Zivkovic, 2024).

Concerning Zappos, the main limitation, instead, is connected to the use of secondary data, which has major disadvantages related to a lack of relevance and accuracy (Mora, 2022). Specifically, the data was not collected to answer the exact research questions of this study. For this reason, it was necessary to make assumptions and inferences that may not be entirely accurate.

4 Research Results – Case Analysis

4.1 Case I – Mercur

In an evolving Brazil, where the automotive sector was beginning to develop, two brothers named Carlos Gustavo Hoelzel and Jorge Emilio Hoelzel had a brilliant entrepreneurial insight: to open a company aimed at repairing car tires that were constantly getting damaged in a country mostly connected by dirt roads. In 1924, they founded the firm "Hoelzel Irmãos," which would later become "Mercur SA" in Santa Cruz do Sul, in the state of Rio Grande do Sul, Brazil. From this initial intuition, the two brothers had the opportunity to delve into the infinite possibilities that a material like rubber could offer and expanded the business by producing a wide variety of products, from erasers to tennis balls (Strussmann et al., 2017).

Today, the 100-year-old company is still mostly family-owned and is managed by Jorge Hoelzel Neto, a member of the third generation of the family, along with Breno Straussmann. Mercur currently operates in two sectors: school supplies/stationery and healthcare. Specifically, the company produces erasers, pens, felt tip markers, and other products for the stationery market. In the healthcare sector, it focuses on orthopaedic products for pharmacies, including elastic knee braces, canes, walkers, crutches and more. As Jorge Hoelzel Neto pointed out in our interview, both sectors are quite challenging. Competition occurs mainly in price, especially in the stationery market, where Asian competitors are very present. Furthermore, innovation is critical to survive in the market: clients constantly require new designs, and technology in the healthcare sector is evolving (Hoelzel, 2024).

To meet consumer demands, the company has approximately 700 employees, making organizational skills crucial for running the business. The organization evolved over time, and in 2008, the company felt the need for an extensive organizational restructuring towards less hierarchical forms of organization (Hoelzel, 2024). Let us now explore this transition and the current organization.

4.1.1 "A virada da chave" - The turning of the key

Until 2008, Mercur was organized in a traditional hierarchical way. Using Hoelzel's words: "*We were structured by business units; we had four very distinct units with their own teams, directors, and management. It was highly hierarchical in terms of command and control, and the focus was on making money, launching products, and expanding our product portfolio. The mission was really about making money, growing revenue, and profitability. What we noticed was that these four business units competed heavily against each other. Consequently, the Mercur brand was fragmented in the market because it didn't reflect the focus of a single company, but rather that of multiple businesses, each treating the Mercur brand differently*. (Hoelzel, 2024)"

In 2008, Hoelzel began attending leadership courses where questions like, "*What are the responsibilities of the company's leaders and the companies themselves? What are the social and environmental responsibilities, and how do you deal with them?*" were posed (Hoelzel, 2024). From these reflections, the company realized it did not care about its impact on society and the environment: its only mission was to make profits and beat the competition. This realization deeply disturbed the family members who owned and managed the business, leading them to recognize the need for change (Hoelzel, 2024; Straussmann et al., 2017).

From this necessity, a strategy consulting firm focused on sustainability was contacted. With its help, Mercur completely changed its business processes to put social and environmental concerns at the centre (Hoelzel, 2024). The firm adopted a new purpose, completely different from the previous one: "To co-create the world in a way that's good for everyone". This purpose clearly represents the new strategic orientation of the firm, aiming to contribute to the well-being of individuals and the community at large (Hoelzel, 2024).

Hoelzel explains their intent with this new purpose: "*What we wanted was for people to start participating more in building the world they will live in. Internally at the*

company, this means seeking collaboration, having conversations with employees so they understand their role in the company and how it can improve their lives and the lives of those outside the company, including consumers. So, we realized we needed to talk a lot with people, have many conversations" (Hoelzel, 2024).

However, initially not everyone grasped the new purpose. Specifically, although the firm had many initiatives related to sustainability that it wanted to launch, business unit directors were still focused on making money and managing their groups in traditional ways. Hoelzel says: "*They hadn't understood that the focus had shifted; now it had to be about co-creating a world that's good for everyone. That's when we realized there was only one way to make this happen: we needed to deconstruct the entire hierarchy of the company. So that's what we did in 2009, what we call today 'turning the key'*" (Hoelzel, 2024).

4.1.2 The actual organizational structure
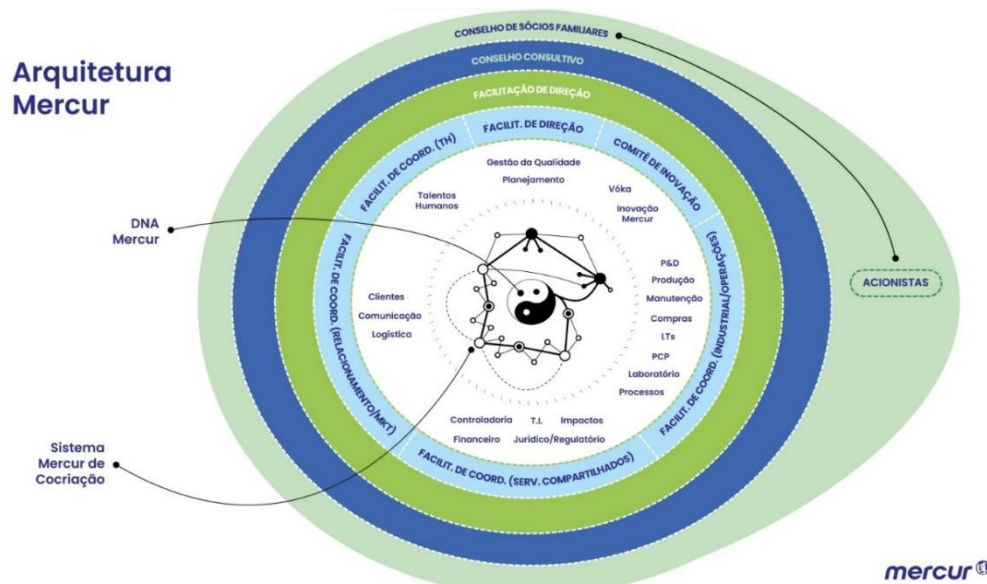
Figure 5: Mercur's organizational structure (Source: Internal data from Mercur S.A., 2024)

Today, Mercur has a completely different organizational structure compared to the past (see Figure 5). Specifically, the company decided to replace the traditional organizational chart, characterized by a hierarchy of boxes, with a circular structure. At the centre is the firm's purpose, indicated as "Mercur's co-creation system," with all corporate functions arranged around it. This structure aims to illustrate that all functions

are directly aligned with the company's mission and must communicate with each other to achieve it (Hoelzel, 2024).

Each function is led by a formal leader responsible for specific processes. Gradually, the initial circle expands, with these processes forming macro-areas. Each macro-area is coordinated by leaders known as "facilitators of coordination". Finally, the entire company is overseen by leaders known as "facilitators of direction", who interact with the advisory board and shareholders (Hoelzel, 2024).

Another notable element in this model is the yin and yang symbol. It indicates that every single problem or decision has both a "positive aspect" and a "negative aspect," and that both need to be constantly addressed (Hoelzel, 2024).

For this reason, the main responsibility of Mercur's formal leaders is to ensure that everyone who could be affected by a problematic issue is included in the decision-making process, eventually giving their opinions. What may seem like the best solution to the leaders might hide a "negative side" that they did not consider, and followers can help them see it (Hoelzel, 2024).

Thus, the primary objective behind Mercur's organizational restructuring is not to eliminate Hierarchy entirely but to refine it by employing participative management techniques and adapting leadership styles. This approach aims to promote collaboration towards reaching their purpose. For all these reasons, their organizational model can be described as an incremental approach to less-hierarchical organizations. Let us now have a closer look at the participative management techniques implemented and the leadership style of the firm.

Participative management techniques. The idea behind Mercur's transition to a less hierarchical organization was to delegate autonomy and decision-making power to small teams, each responsible for a specific process within the company (Hoelzel, 2024). However, like agile methodologies, the degree of delegated autonomy may vary from process to process: some teams have more decision-making power than others, depending on their tasks. For example, innovation teams have significant autonomy to

carry out their projects since their tasks require creativity and innovative thinking, while production teams have much less autonomy as their work depends on the rhythm of machinery and production plans (Hoelzel, 2024; Sá Franco, 2024).

Nevertheless, despite those varying degrees of autonomy, everyone can participate in decisions that may affect their work. Specifically, when a problem arises or an important decision needs to be made, all those affected or who could in some way contribute to decision-making are called upon to participate (Hoelzel, 2024; Sá Franco, 2024). This does not necessarily mean that they will be the final decision-makers, but all opinions must be heard, and thoughts sincerely expressed. Hoelzel provided us a great example of how this process occurs: "*Let's say there's an issue in the production area with a specific piece of equipment. We gather the people working with the equipment, bring in the engineering team, and include everyone involved in that process to work on finding a solution. The same goes for administrative, commercial, legal, controller, and financial areas. Whenever there's something someone isn't sure about what needs to be done, we gather all the people involved in the process, those who come before and after, and bring everyone together to find a solution to what needs to be fixed*" (Hoelzel, 2024).

Therefore, participation at Mercur is largely about creating a very open culture where nobody is afraid to speak sincerely with leaders and express their concerns—a culture that fully recognizes the importance of collaboration for making better decisions. To facilitate this, many physical barriers have been removed and new spaces have been created for communication. Furthermore, a lot of information is shared with employees, so that they can be constantly aware of what is happening throughout the firm (Hoelzel, 2024).

In addition to the corporate internal social network where communications are launched, Hoelzel mentioned that every 3 months an event called "Catching up" is held at the company. During this event, the company stops for one hour, and "*everyone gathers to talk about what happened that quarter, such as sales, production, cash flow,*

and interpersonal relationships. It's just an hour, it's quick, but everyone stays tuned in what's happening, nobody is left in the dark" (Hoelzel, 2024).

To support employees in the organizational transition and encourage them to feel free to express their ideas, an extensive learning process was conducted with all team members (Hoelzel, 2024; Sá Franco, 2024). Thanks to this process, they had the opportunity to develop their soft skills, fostering relationships and communication among them. Today, these skills are also evaluated in the selection of new candidates, thereby contributing to the open culture of the company (Hoelzel, 2024; Sá Franco, 2024).

Leadership. Another crucial element in maintaining this open culture is leadership. Since implementing organizational changes, one of the firm's main priorities has been to avoid command-and-control practices. This includes preventing formal leaders from constantly exerting authority over subordinates, making unilateral decisions, and abusing their power positions (Hoelzel, 2024). Briefly, with the organizational hierarchy adaptation, also leadership had to change significantly. Using Lewin et al.'s (1939) leadership styles, there was a shift from authoritarian to participative approaches[4], indicating that the function of these new leaders is not to mandate but to reunite people and decide collaboratively. The higher the position in the hierarchy, the greater the responsibility of formal leaders to involve all the people affected by a certain problem, and to find a solution together. As Hoelzel points out: *"The person who used to be a director is now a facilitator. He doesn't give orders, he doesn't provide ready-made answers; he brings people together so they can find the solutions they need"* (Hoelzel, 2024). Indeed, typical roles like Chief Executive Officer, Chief Financial Officer, Senior Product Manager, etc., have been substituted with titles such as "facilitators", "coordinators", and "advisors" to avoid an authoritarian attitude right from the designation of roles. Let us briefly understand the differences between these roles.

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[4] Authoritarian leaders are directive, strong, and have high control in relationships. They allow very little discretion to their followers. Participative leaders, on the other hand, are collaborative and interactive in their relationships with others. They grant high discretion to their collaborators, allowing them to decide how to carry out their work (Salvemini, 2017, p.314).

Facilitator of direction. Facilitators of direction oversee all the processes of the company. They communicate with the advisory board and shareholders, and their main responsibilities are to identify future paths for the firm and ensure coordination among all departments. Their responsibilities could be associated with those traditionally attributed to a CEO. However, there are some important differences between CEOs and facilitators of direction at Mercur. The first one is that there are two people fulfilling this role at the company, not just one. The second difference is that while CEOs mainly interact with top management and C-suites for strategy formulation, budgeting, etc., and are often seen as unreachable by the company's employees, facilitators of direction engage with many more people to make decisions and seek the opinions of all affected employees. Tailise Sá Franco perfectly described this feature in our interview, stating: "*Anyone can enter Jorge Hoelzel's office and talk to him, regardless of their level, which is very different from other companies that are highly hierarchical. Here, it is very relaxed; it's a very informal company in these relationships, very easy to have conversations, to listen to opinions, and to embrace differences. So I think this is very positive*" (Sá Franco, 2024).

Facilitator of coordination. Facilitators of coordination are the formal leaders of major organizational areas. They participate in the strategy formulation process with their teams and ensure the implementation of these strategies. They are responsible for the results within their areas and continuously work in a facilitation group to ensure alignment across all corporate functions (Hoelzel, 2024; Sá Franco, 2024). For example, the facilitator of operations oversees all industrial processes, including production, maintenance, and procurement.

Coordinators. Coordinators perform similar tasks to facilitators but within specific sub-areas. Within a macro area like operations, there will be coordinators for production, maintenance, procurement, etc. They are responsible for applying the macro area strategy to their specific domains and overseeing the work of their teams. Coordinators work in collegiate bodies, to ensure cooperation between corporate processes (Hoelzel, 2024; Sá Franco, 2024).

Advisors. Finally, Advisors are formal leaders of groups of employees working on specific operational procedures or processes within a single area (Hoelzel, 2024; Sá Franco, 2024). Thus, in the production area, there will be as many advisors as there are industrial processes.

Although formal leadership exists at Mercur, where each leader is responsible for specific processes and area results, the company views leadership more as a role than merely a title. Mercur recognizes that anyone can take on leadership roles by managing projects or technical areas, even without a formal leadership title (Hoelzel, 2024; Sá Franco, 2024).

Specifically, as individuals begin assuming informal leadership roles and become effective communicators, influencing decisions, the firm undertakes additional learning processes focused on enhancing their leadership skills. This ensures that they communicate openly and freely, without using their communication skills to feel superior to others and control them (Hoelzel, 2024).

4.1.3 HT processes

Along with the organizational restructuring, human resources processes also had to change. Before presenting some of them, it is worth noting that the traditional "Human Resources" function at Mercur is referred to as "Human Talents". This change reflects the company's belief that employees are not merely resources but talents. They assume that everyone has the potential to develop and excel in their roles (Sá Franco, 2024).

Selection. Moving on to the first process, selection changed significantly after the organizational restructuring. While in the past, leaders primarily focused on the technical knowledge required for a specific role during interviews, now, in addition to this, four other competencies are evaluated, which reflect the Mercur DNA: (A) Continuous learning; (B) Socio-environmental mindset; (C) Creativity and innovation; (D) Co-creation and collaboration (Sá Franco, 2024). Specifically, together with technical knowledge, interviewers assess candidates' propensity to learn, their

attention to environmental concerns, their innovative thinking, and their ability to collaborate effectively in teams. This change aims to ensure that employees at Mercur can take on greater responsibilities, communicate extensively with colleagues, and actively contribute to the firm's purpose (Sá Franco, 2024).

For candidates applying for formal leadership positions, additional four behavioural dimensions are evaluated. One of the most significant is the Host leadership[5] model, which assesses whether leaders have the competencies and inclination to adopt participative leadership behaviours (Sá Franco, 2024).

Training/Learning. As mentioned earlier, when the hierarchy was adjusted, a significant amount of time was dedicated to enhancing employees' soft skills through learning processes. Today, learning remains a crucial aspect of the human talent area, continuously innovating the way training is provided to employees. Specifically, Sá Franco (2024) mentioned that this year the firm launched a corporate university model called "Universo Mercur", with four schools created for employees focusing on leadership, commercial, operational, and other essential competencies (Sá Franco, 2024).

Career paths and promotion process. Before "'turning the key", Mercur had numerous layers and roles in the organization. The hierarchical ladder was extensive, and employees could constantly be promoted to a new role. Today, with layers removed from the organizational structure, career paths have been flattened (Sá Franco, 2024).

Performance measurement. The final human talent process at Mercur is performance measurement. Following the organizational change, performance measurement has been conducted collectively for many years, as employees began working more in teams (Sá Franco, 2024). Every quarter, each area presents its indicators and results, and performance is evaluated based on the outcomes of group

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[5] Host-leaders, contrary to Hero-leaders are the ones that delegate autonomy to followers and constantly seek their contribution to reach team outcomes. They know that hosting others is the only way to solve complex problems (Wheatley and Frieze, 2011).

work. Sá Franco (2024) mentioned that currently, there is no structured human talent process in place for individual performance assessment.

4.1.4 Organizational effectiveness assessment

After describing some of Mercur's main processes and characteristics, it is now time to evaluate whether this organizational shift truly empowers employees and leads to increased levels of job satisfaction, organizational commitment, and performance, while also highlighting any potential limitations. The questionnaire mentioned in Chapter 3 was very helpful and provided us with interesting insights.

Overall, across all four dimensions of psychological empowerment, Mercur received excellent results, indicating that employees truly feel empowered. This suggests that individuals are intrinsically motivated to perform their tasks. Specifically, the dimension that scored the highest on the 5-point Likert scale is Impact, with 4,19 points (see Appendix C), while the dimension with the lowest score is Self-Determination (Autonomy), with 3,51 points (see Appendix C).

These results can be attributed to the company's implementation of several processes that serve as antecedents to psychological empowerment. These include the participative management techniques previously described, access to information, a corporate culture that fosters social-political support, and a participative leadership style. The lowest score in the "autonomy" dimension could be explained by the fact that, as mentioned, autonomy varies a lot depending on the corporate function. We could therefore suppose that employees from more operational areas do not perceive the same degree of autonomy as employees from other areas.

Regarding individual antecedents, employees feel they have the knowledge to accomplish their tasks. Specifically, all employees agree that they possess the technical and soft skills necessary to carry out their work (see Appendix C). This antecedent is crucial to the "competency" dimension of empowerment, which indeed scored highly. The rationale behind these results can be attributed to the effectiveness

of Mercur's selection and learning HT processes, which aim to recruit talented candidates and provide them with effective training.

The need for power also showed a positive result, indicating that many individuals in the organization enjoy assuming greater responsibilities and influencing decisions. Specifically, 84% agree that they like to take on a leadership role, and 67% agree that they like to influence the team's decisions (see Appendix C).

Analyzing the consequences of psychological empowerment, overall employees are satisfied with their jobs and committed to the organization. However, two dimensions of job satisfaction scored moderate results. Firstly, regarding pay: 28% of respondents expressed dissatisfaction with their current pay, while another 28% were neither satisfied nor dissatisfied (see Appendix C). Secondly, concerning promotion opportunities: 44% of respondents reported dissatisfaction with the available promotion opportunities, with another 23% expressing neutrality (see Appendix C).

These results can be linked to the absence of clear career paths within the company. As mentioned, with the adaptation of hierarchy, layers were removed from the organizational structure, and consequently, career paths have been flattened. Therefore, there are fewer opportunities for promotions, resulting in infrequent salary changes.

Sá Franco (2024) emphasized in our interview that the absence of career paths is a primary reason why employees choose to leave the organization. She also mentioned that Mercur is actively exploring methods to establish more defined career paths while maintaining a horizontal organizational structure. Additionally, the company has recognized the importance of providing individual feedback to employees and is expanding its performance measurement process to evaluate individual contributions alongside team outcomes (Sá Franco; 2024).

With these changes being implemented, empowerment is supposed to increase as employees will gain more clarity on their contributions through feedback and perceive opportunities for advancement. Consequently, higher job satisfaction is expected.

Discussing another consequence of psychological empowerment, low levels of strain were reported. When asked whether the organizational climate was stressful, Sá Franco responded, *"No, it is very light. I come from traditional hierarchical firms, where there is pressure, a high volume of work, and daily overtime. It's not even close here, just 10% of what it's like in those environments"* (Sá Franco, 2024). Interestingly, although 70% of employees feel the burden of responsibility in making independent decisions, only 16% agree that this responsibility makes them anxious or frustrated (see Appendix C). This indicates that employees acknowledge their increased responsibilities without experiencing added stress, confirming the negative correlation between empowerment and stress described in Chapter 1.

Regarding innovation, the company's innovation rate has tripled today compared to three years ago (Mercur S.A., 2024b). This increase can be attributed to the establishment of an independent innovation centre called "VOKA" in which employees work according to agile methodologies and collaborate with both internal and external stakeholders (Hoelzel, 2024; Mercur S.A., 2024a). This initiative significantly enhances the company's ability to innovate rapidly.

For the final consequence of psychological empowerment—task performance—our interview with Sá Franco (2024) revealed that teams generally achieve good outcomes.

It is also interesting to examine some of the difficulties related to the organization transition and limitations of the current business model. Initially, the less hierarchical approach was more radical than it is today: employees could participate in many decisions beyond their domains. This inclusivity was positive as it allowed the firm to consider the opinions of many people. However, decision-making processes became excessively lengthy, causing the company to lose market competitiveness (Hoelzel, 2024).

Furthermore, Hoelzel (2024) pointed out that not everyone contributed equally to decisions: some individuals were uncomfortable providing opinions on matters outside

their job scope, while others preferred not to make autonomous choices. Overall, this negatively impacted the firm's economic performance. Consequently, the model was adapted to its current version, where only those directly affected participate in specific decisions. This adjustment allows for faster decisions, and everyone feels engaged to participate, as their expertise is crucial to finding solutions (Hoelzel, 2024).

Finally, when asked about profitability, Hoelzel (2024) replied that it is worse than in the past due to the costs associated with implementing a sustainable business model. These include expenses related to new industrial processes, more expensive raw materials, advanced technologies, and other factors. Therefore, the decline in profitability cannot be solely attributed to the organizational transition but also to the challenges in implementing a comprehensive sustainable model.

In summary, Mercur represents a clear example of how it is possible to organize work in less hierarchical forms, making tasks more motivating and achieving positive outcomes for the organization. It is clear that like any organizational change, the transition has not been without challenges, but with determination and commitment, improvement is always possible. While it is true that today profitability is lower than in the past, it is equally true that the company has made tremendous strides in sustainability, showing how greater environmental focus requires different forms of organization and a paradigm shift regarding the purpose of the enterprise.

4.2 Case II – Zappos

It was 1999 when Nick Swinmurn found himself in a shopping centre looking for a pair of shoes. After looking shop after shop and not finding anything he liked, he returned home and decided to look online. Surprised at the non-existence of an online retailer specializing exclusively in shoes, he had an eureka moment: why not create one himself? It was this brilliant idea that drove him to quit his job and create Zappos. (Summary-Smith, 2022).

However, as it is often the case with entrepreneurs who have great ideas but lack resources, Nick needed to find a way to finance his startup. Thus, after much effort, he

met Tony Hsieh, who, noticing the potential of the business, decided to provide capital to the nascent company. Tony Hsieh later became the CEO of Zappos. (Golden, Pandey and O'Rourke, 2017).

With financial resources and incredible attention to customer service, the business grew over time, and its economic results soared. Meanwhile, Amazon was carefully monitoring the company's performance and was increasingly interested in buying it, given its inability to compete with Zappos in the shoe sector. In 2009, Amazon purchased Zappos shares for a total value of $1.2 billion, but still decided to leave the independent and autonomous shoe retailer to organize itself in the way it preferred (Golden, Pandey and O'Rourke, 2017).

This autonomy led Hsieh to implement Holacracy in 2013, one of the two radical approaches to less-hierarchical organizations presented in Chapter 2. This change was pushed by the company's growth to 1,500 employees and the realization that traditional bureaucracy was slowing down the company's ability to adapt to the external environment and innovate (Golden, Pandey, and O'Rourke, 2017). Hsieh found inspiration in the book "Triumph of the City" by Harvard Professor Edward Glaeser (2012), which explains that when a city's size doubles, productivity per resident increases by 15%, whereas in traditional companies, productivity per employee decreases as they expand (Minaar, 2020). Inspired by the idea of turning his company into a sort of city and his encounter with Robertson, the founder of the Holacratic model, Hsieh undertook the organizational change (Golden, Pandey, and O'Rourke, 2017).

4.2.1 The organizational change

Following the transformation, Zappos indeed became more similar to a city than it was before. Specifically, the traditional hierarchy was replaced with a set of circles as shown in Figure 6: the 150 traditional departmental units evolved into 500 circles (Bernstein et al., 2016).
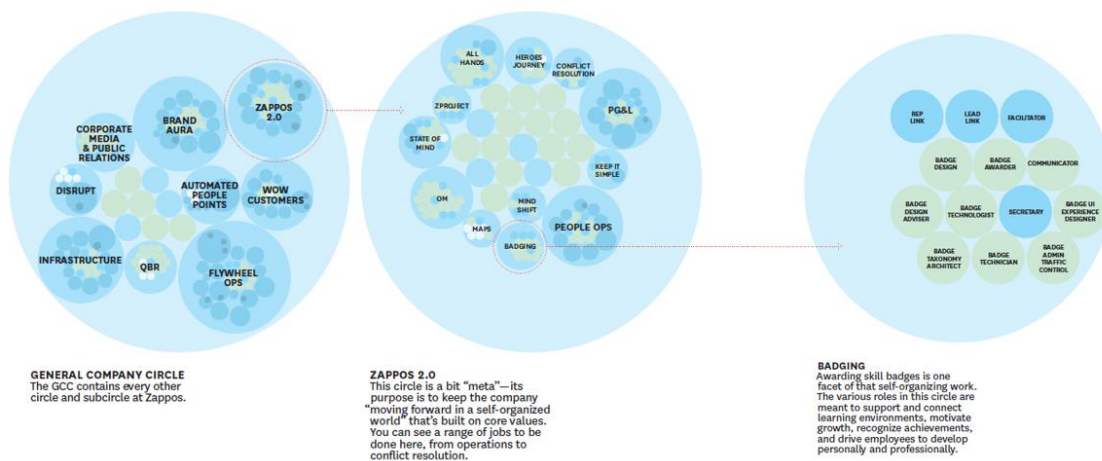
Figure 6: Zappos' organizational structure (Source: Bernstein et al., 2016, pp. 42-43)

In the same way described in paragraph 2.3.1., Zappos established a General Company Circle that holds the company purpose: "to live and deliver WOW" (Zappos, 2024). Sub-circles were then created, each with its own purpose according to their functions and goals, with all purpose statements aligned with the corporate mission (McKinsey, 2017).

Each circle functions according to the holacratic framework. They contain a series of roles, each with its own accountabilities and decision-making authority. There is also a "lead link" who assigns people to roles and ensures coordination between the circle and the ones around it, along with the "representative link" (Bernstein et al., 2016). Furthermore, each circle holds "tactical meetings" to discuss work to be done, and "governance meetings" are held whenever it is necessary to change role accountabilities or create new circles. A "facilitator" ensures that these meetings flow smoothly and that everyone participates (Golden, Pandey, and O'Rourke, 2017).

In an interview with McKinsey (2017), Tony Hsieh claimed that Zappos' organizational chart changes probably 50 times a day. To ensure transparency, the company's organizational structure, including employee accountabilities and circle modifications, is accessible online to all staff. All relevant decisions and policy updates are also shared online (McKinsey, 2017).

Nevertheless, information sharing, and meetings are not the only instruments for coordination between self-managed teams at Zappos. The company relies extensively on its corporate culture as a means of aligning everyone with the corporate purpose (McKinsey, 2017). Specifically, the organizational culture is defined by the firm's ten core values (see Figure 7), which highlight the importance of dialogue, knowledge, innovation, and collaboration.

Figure 7: Zappos' 10 core values (Source: Zappos, 2024)

The main idea behind such culture and self-management is to encourage everyone to think outside of the box and act as mini-entrepreneurs. In fact, Hsieh views each circle at Zappos as a mini-startup, continually generating new insights on how the firm can evolve in the future (Grant, 2016; Zhou, 2023). When asked about his position as CEO of the company, Hsieh explained: "*Imagine a greenhouse with lots of plants, and each plant represents an employee. Maybe at a typical company, the CEO is the tallest, strongest plant that the other plants aspire to one day become. That's not how I think of my role. Instead, I see myself as the architect of the greenhouse, tasked with creating the right conditions for every plant to flourish and thrive*" (McKinsey, 2017).

4.2.2 HR practices

To ensure cultural fit and make self-management work, Zappos has adopted some unique human resources practices, which are worth analysing.

Recruiting. The selection process at Zappos relies heavily on aligning candidates with the company culture. In fact, during interviews, questions on technical skills are accompanied by a series of 10 questions related to company values. The candidate is chosen only if he scores 10 out of 10 in these last questions. Otherwise, it means that the candidate will not fit well within the Zappos culture and as a result is rejected despite having many technical skills (McKinsey, 2017; Grant, 2016). Additionally, after three weeks at the company, if a new employee feels they do not fit into the corporate culture, they have the option to leave the company and receive a $2,000 severance package (Golden, Pandey and O'Rourke, 2017; Zhou, 2023). This approach ensures that only highly committed individuals remain part of the company.

Learning. When employees join the firm, they receive training on how to offer great customer service and are asked to take customer calls for the first few weeks, regardless of their role. This helps them learn how to deal with customers and communicate effectively (Golden, Pandey and O'Rourke, 2017). They also have to complete training on holacracy (Bernstein et al., 2016) and conflict resolution skills (Zhou, 2023). Employees who become facilitators receive additional training to enable them to carry out governance and tactical meetings (Bernstein et al. 2016).

Career paths and promotion process. Since Holacracy allows individuals to assume multiple roles and participate in various circles within the company, employees are constantly changing roles and positions through governance meetings. At Zappos, each person has so-called "100 people points" (Reingold, 2016). Each role in the organization is associated with a specific number of points needed to be able to fill this function. Employees can choose which roles to take on based on the points they have available, as long as the total does not exceed 100. The company has an internal marketplace where new roles are created, and employees can "apply" for them. The circle's lead link decides whether to assign that role to the specific person or to someone else. In this way, employees can work across multiple teams without being told where to work, allowing them to build their own career paths based on their interests (Berstein et al, 2016; Reingold, 2016).

45

When people change roles and gain experience at work, they acquire new skills, and the company provides them with "badges" for each new skill developed (Berstein et al., 2016). Compensation is based on the number of badges they earn. Such a system allows employees to explore new functions, follow their passions, and increase their earnings at the same time (Golden, Pandey and O'Rourke, 2017; Kumar and Mukherjee, 2018)

4.2.3 Organizational effectiveness assessment

Let us now evaluate the effectiveness of the new organizational model implemented by Zappos. Since no primary data was collected, it is not possible to conclude whether employees feel empowered. Our analysis led to an ambiguous result: some practices introduced by the company are supposed to increase empowerment, while statements from some employees in secondary sources indicate otherwise.

On the one hand, some practices introduced by the company are intended to act as antecedents for psychological empowerment. Participative management techniques introduced through Holacracy are supposed to foster employees' self-determination dimension. According to a publication in Fortune by Reingold (2016, p.211), in fact, a Zappos employee stated: "*The structure of the meetings forces each person to say what they want. Before I might've thought something and wouldn't have jumped in. Now I have that time to myself.*"

Additionally, work design is also meant to increase empowerment: the ability to change roles and adapt them according to individuals' capabilities and interests may enhance the meaning and competence dimensions. Task variety and significance increase, along with employees' feeling of capability to perform their jobs, as they possess the skills and passion necessary to carry them out. Employees are also expected to find high levels of meaning in their work due to the extensive information they have about the company's current projects and goals.

Furthermore, the "badges system" is closely related to the "reward antecedent". Since the organization recognizes when individuals gain new skills by awarding them

"badges", feelings of competence are expected to increase, along with self-determination as individuals perceive themselves as more skilful and capable of taking independent action.

On the other hand, some of these antecedents are not perceived the same way by all employees. Some have claimed that these participative management techniques are not effective in increasing self-determination (Bernstein et al., 2016; De Morree, 2016). In an interview conducted by De Morree (2016), an employee claimed: "*Another claim that there would be no formal hierarchy with Holacracy is misleading. We still experience a similar hierarchy as we had before; it is just not as clear and official anymore.*" Similarly, a publication in the Harvard Business Review by Bernstein et al. (2016) pointed out how older managers were still issuing orders to their former subordinates, which created hesitation among employees to freely express their points of view.

Furthermore, while it is true that the company has an online software where it publishes every change to the organizational structure and projects to be undertaken, there has never been transparency from the enterprise regarding the efficiency or inefficiency of this organizational form (De Morree, 2016). This lack of transparency diminishes the potential of the informational antecedent to empower employees.

Additionally, the supportive leadership style claimed by the CEO was somewhat contradicted by an employee who stated: "*Our CEO, Tony Hsieh, is very heavy on Holacracy and we can therefore barely talk certain ideas out of his mind. We don't feel that the way we experience Holacracy is taken into account, and we can't be transparent about what we think of it.*" (De Morree, 2016)

All this reasoning leads us to be uncertain about whether this organizational form truly empowers employees. While some individuals found themselves at ease with this new model, others did not. Therefore, it is reasonable to suppose that certain teams in specific functions may have felt more empowered than others.

Such an ambiguous result prevents us from concluding whether job satisfaction is higher after the organizational transformation. Regarding organizational commitment, the following claim suggests that it is high: "*We love working for this place, some of us for many years already. We will not give up easily. We see the implementation of Holacracy as an intermediate step towards further organizational innovation and liberation*" (De Morree, 2016). However, it is evident that organizational commitment does not primarily arise from the new organizational model but likely from Zappos' unique organizational culture.

Ambiguity remains also concerning innovation and task performance. As an employee pointed out in an interview: "*leadership never communicates, or communicated, about the level of innovation before and after the implementation of Holacracy. There is no data or proof whether or not it is working for Zappos.*" (De Morree, 2016)

Overall, it is not possible to conclude whether the organizational change was effective at Zappos. What is certain is that not all employees appreciated this organizational style, and some chose to leave the company because of it (De Morree, 2016; Reingold, 2016). In particular, employees have criticized the heavily formal Holacratic practices, and some teams have begun adopting less formal ways of conducting meetings (De Morree, 2016; Reingold, 2016).

4.2.4 Zappos Today

Today, Tony Hsieh is not the CEO of the company anymore. He in fact left it in 2020 and after some months tragically died after a fire at his home (Grind and Sayre, 2022; Streitfeld and Hussey, 2021). Since then, it seems that Amazon has started to take control of the company and partially dismantle Hsieh's legacy. This shift was evident when Zappos announced the layoff of 300 employees in 2023, moving once again back to a traditional top-down hierarchical structure (Minaar, 2023).

In summary, Zappos remains the largest and most well-known company to have implemented Holacracy (Bernstein et al., 2016). The transition to this radical approach was indeed complex and results regarding its effectiveness have been mixed.

However, it is clear that Tony Hsieh truly wanted to turn his company into a self-managed organization. His goal was to create an environment where ideas could be freely expressed and a strong corporate culture could flourish, allowing individuals to truly be themselves at work.

5 Discussion

In this chapter, we discuss the results of our analysis, answering the research questions posed initially. Rather than answering question by question, we decided to group the results into thematic areas, in order to facilitate reading.

5.1 Driving forces behind less-hierarchical structures

The first finding after analysing both cases is that the main driver pushing firms to adopt less hierarchical organizations is the same one that motivated scholars (e.g. Laloux, 2016; Robertson, 2015) to propose new models: the necessity to innovate and the willingness to turn workplaces into more "human" environments where individuals can express themselves and their opinions freely. At Mercur, the change to a more sustainable business model pushed the organization to understand the importance of people in driving change and the necessity to put them at the centre. Similarly, at Zappos, the willingness to turn employees into entrepreneurs pushed the firm to adopt Holacracy and allow people to participate more in decisions.

5.2 Required changes in company processes

The second finding is that such a transformation requires significant changes in company processes, as demonstrated by both cases. Decision-making processes must adapt to delegate authority, selection and hiring must ensure that the right candidates are chosen, substantial investments in learning and development are necessary, and career paths must be adjusted. While these changes are needed for both incremental and radical approaches, the latter typically require more extensive modification as they involve a complete restructuring of the hierarchy (Lee and Edmondson, 2017). In contrast, incremental approaches maintain a hierarchical

backbone. Consequently, the investment required for transitioning to a radical approach can be higher.

Additionally, there is no universal solution for transitioning to a less-hierarchical organization. Although various models were discussed in Chapter 2, each company must find its own path to adaptation and develop new processes that will support the change. It is also important to note that the transition is never instantaneous; it requires firms to modify their processes along the way and find the solution that works best for them. Mercur developed a unique model and had to make multiple modifications before arriving at it. Similarly, while Zappos implemented Holacracy, it still needed to create its own processes for managing career paths and role assignments, such as the "100 People Points" and "badges" system.

5.3 The complexity of empowerment

The third finding is that less hierarchical organizations do not necessarily empower employees and lead to the outcomes of psychological empowerment, including intrinsic task motivation, job satisfaction, organizational commitment, innovation, and task performance. As seen, empowerment is a complex construct, and to genuinely empower employees, a firm must address all its antecedents effectively. While at Mercur the organizational adaptation was successful in empowering employees, at Zappos the conclusion was less clear. This may be due to an inconsistency between the promises of new practices and employees' real feelings about them: for example, participative management practices were supposed to increase decision-making participation at Zappos, but the CEO was not open to suggestions from employees concerning the implementation of Holacracy.

Therefore, less-hierarchical organizations have great potential to produce positive outcomes but only if the transition genuinely empowers employees. Given the significant costs associated with new processes, firms implementing these structures should carefully measure progress to ensure that the intended benefits are realized.

5.4 Challenges of less-hierarchical organizations

The fourth finding is that radical approaches must address issues related to the elimination of the manager-subordinate relationship. When managers are no longer formal leaders, it can be demotivating, especially if they view their positions as rewards for their past efforts (Reingold, 2016). This may lead them to seek roles in more traditional organizations where their experience is formally recognized, causing the firm to lose a competent workforce (Reingold, 2016). If they remain, on the other hand, they might continue issuing orders, and former subordinates may not feel comfortable to act autonomously, undermining the potential of less hierarchical organizations to empower employees. This issue was observed at Zappos, where former managers continued to exert control despite the new structure.

To manage the re-allocation of former leaders and, at the same time, ensure they do not adopt an authoritative style, firms have introduced training to help them unlearn control behaviours. However, Bernstein et al. (2016) express doubts about the effectiveness of these solutions in eliminating old power dynamics, which may be deeply rooted in organizational culture and institutional practices.

Furthermore, when formal leadership is completely removed from the organization, some people may feel disoriented. As Hersey and Blanchard (1984) suggested, leadership is situational: leaders must adapt their leadership styles according to the maturity and experience of their followers. For this reason, a newcomer without experience may need someone to tell them what to do or how to conduct their work, and the absence of leadership can be confusing (Salvemini, 2017). Additionally, Foss and Klein (2014) pointed out how managers may be needed in situations of decision-making urgency, where participative management techniques could slow down the process too much.

Incremental approaches, such as the one developed by Mercur, avoid these problems by maintaining formal leadership. Even if others assume informal leadership roles, there will always be someone available to assist in critical situations or when needed.

Another challenge with radical approaches is managing concertive control among team members. As Barker (1993) highlighted, when the hierarchical structure is adapted to create a system of self-managed teams, each group starts to establish its own functioning rules and values and to carry out work in accordance with them. If a member begins to disregard these rules, others may claim that they are not respecting the group norms and start exerting control over them (Barker; 1993). This concertive control can be even stronger than that exerted by traditional management, as in self-managed teams, control can come from any member, while in traditional management, control is typically centralized in the manager (Barker, 1993). In radical approaches that replace the entire hierarchy with self-managed teams, managing this dynamic is more complex compared to incremental approaches, which retain formal leaders who can help prevent concertive control.

Furthermore, firms adopting a less-hierarchical organization must be careful with career paths and incentives. A risk of eliminating hierarchical layers is that the extrinsic motivational factor[6] of career advancement can be removed, which could negatively affect employee's motivation. Therefore, it is important for companies to create alternative career paths. This was a complex issue at Mercur, which is currently finding innovative ways to solve the problem.

A final consideration is that less-hierarchical organizations may not be suitable for all sectors. According to Burns and Stalker's (1994) organizational contingency theory, firms should choose the right degree of decision-making delegation according to the uncertainty and instability of their operating environment. Asserting that non-hierarchical approaches are intrinsically superior to hierarchical approaches is incorrect; some structures may be more effective in certain situations than others (Burns and Stalker, 1994). For instance, traditional hierarchy can be ideal for nuclear sites, where respect of procedures and control are essential. In contrast, less hierarchical structures might be more appropriate for a communication firm that

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[6] Extrinsic motivation is defined as an external incentive to engage in a specific activity, especially motivation arising from the expectation of punishment or reward (APA, 2018)

requires high levels of creativity (Jones, 2023). The same principle applies to organizational functions: functions like production, which depend a lot on planning and control, may benefit from a more traditional hierarchical approach, while functions requiring innovation might be better organized with less hierarchy (Rigby, Elk and Berez, 2020).

Following this reasoning, Mercur understood that a change toward a more sustainable model could only be achieved by delegating autonomy to employees. At the same time, it recognized that different corporate functions may need varying degrees of decentralization and structured the organization accordingly. Similarly, at Zappos, when teams realized that holacratic management techniques were not suitable for the type of work they had to carry out, alternatives were found.

5.5 Limitations and future research

Besides the methodological limitations already discussed in Chapter 3, our findings must be taken with reservations, as only two companies were analysed. This is far from sufficient to reach a general conclusion regarding the effectiveness of less-hierarchical organizations.

At the same time, our analysis showed that after implementing an incremental approach to less-hierarchical organizations, Mercur registered an incredible performance in sustainability. Since businesses are now more than ever invited to move to sustainable business models (Chladek, 2019), it would be interesting if future research focused on analysing whether less-hierarchical approaches could be more suitable for managing sustainability.

Conclusion

In conclusion, this study has examined the phenomenon of less-hierarchical organizations and aimed to evaluate the effectiveness of such models. To achieve this, we applied the psychological empowerment construct, which has been widely discussed in the literature. Our major finding is that transitioning to less-hierarchical organizations will not automatically result in higher levels of job satisfaction, organizational commitment, innovation, or task performance unless the implemented processes genuinely empower employees.

The transition is a complex process that requires a strong commitment and support from founders and leaders. It necessitates significant investment to implement new processes and demands patience to assess and make necessary adaptations. However, if implemented effectively such organizational models have a great potential to lead to positive outcomes.

Considering the difference between radical and incremental approaches, the former are riskier to implement. Radical approaches, in fact, involve more investment and present greater challenges during the transition. Therefore, before implementing radical changes broadly, firms should carefully evaluate the costs of the transition and consider starting with incremental modifications before moving to more radical changes.

In addition, contrary to some scholars who are at extremes - either unconditionally praising the superiority of these organizational forms (e.g. Laloux, 2016) or declaring their failure, believing that hierarchy is the best possible organizational form (e.g. Jaques, 1990) - our research aligns with a more moderate perspective (e.g. Berstein et al., 2016; Foss and Klein, 2014). This perspective acknowledges that different contexts require different organizational models.

However, it is certainly true that, today, firms must compete in a constantly changing environment, which necessitates more empowered employees to address complex problems. Incremental approaches can be a viable solution for firms seeking to find

the right balance between hierarchy and decision-making power delegation. These approaches also seem more suitable for organizations aiming to create a human-centric culture and transition to more sustainable business models. Hopefully, future research will further explore this topic.

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Appendices

Appendix A

Below are the questions initially formulated for the interview with Jorge Hoelzel Neto. As it was a semi-structured interview, further questions were asked during the conversation.

1. What sector does the organization operate in?
2. What are the company's business units?
3. How many employees does it have?
4. How was your organization structured before the organizational change?
5. How many hierarchical levels did it have?
6. What values did you believe in?
7. What was the ultimate goal of the enterprise? the purpose?
8. What reasons led the organization to change things and give more decision-making power to employees?
9. How is your organization structured today?
10. How many hierarchical levels does it have?
11. What values do you believe in?
12. What is the purpose of the organization?
13. In which areas of the organization can employees participate in decisions?
14. In what types of decisions?
15. How do they participate?
16. Are there precise rules indicating how employees can participate in decisions?
17. How does the strategic formulation process happen in the company? Who decides the objectives to be achieved? Is there employee involvement in this process?
18. How is the budgeting process done in the company? Who decides on the resources to be allocated? Is there employee involvement in this process? Do budgets maintain a certain flexibility or remain unchanged throughout the entire time period for which they were formulated?
19. What reflections can be made after the organizational change? What results did it lead to?
20. What were the main challenges of this change?
21. What are the main negative aspects/problems that you find/have encountered in this new organizational model?

Appendix B

Below are the questions initially formulated for the interview with Tailise Sá Franco. As it was a semi-structured interview, further questions were asked during the conversation.

1. How would you describe the firm's organizational structure?
2. How does the selection/hiring process take place in the company? What characteristics are looked for in candidates? What values?
3. How would you describe the training process in the company? How often does it happen? What type of skills or knowledge are taught?
4. What are the career prospects in the organization?
5. How does the performance measurement process happen?
6. What parameters are employees' salaries linked to?
7. Do employees participate in any way in the decisions listed above? If yes, how?
8. How would you define the organizational climate? Are employees satisfied? Are employees motivated?
9. How would you describe the culture of the organization? How homogeneous is it throughout the organization? What do you think are the dominant moods/emotions in the organization?
10. Who performs the leadership roles?
11. What position do you have in the organization?
12. What role did you have before being a facilitator/coordinator?
13. Would you define yourself as a leader of the group in which you play the role of facilitator?
14. What are the main tasks that a facilitator must perform?
15. How would you define your leadership style?
16. How are you seen by group members?
17. How do you typically resolve conflict situations between group members?
18. How are the objectives formulated within the work unit of which you are leader? Are they well defined?
19. How would you define your relationship with your superiors?
20. What are the main challenges you face in your role?
21. Is the team you lead performing well? Does it achieve its objectives?
22. How much autonomy do you leave to your collaborators?
23. How do you react when your collaborators don't reach their goals?
24. How do you try to motivate your collaborators?
25. Do you like being a facilitator? or did you prefer your previous role?

Appendix C

Below are the results from the questionnaire distributed to Mercur's employees.

Table 2: Questions and response percentages

Content description: This table contains the percentages of responses for each question.

	(1)	(2)	(3)	(4)	(5)
1) How much do you agree with the following statements? (Social-political support)	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
I have the support I need from my peers to do my job well	0%	0%	9%	56%	35%
I have the support I need from my superiors to do my job well	0%	7%	9%	51%	33%
2) How much do you agree with the following statements? (Information)	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
I understand the goals and vision of the organization	2%	5%	9%	56%	28%
I have access to the information I need to do my job well	2%	5%	12%	58%	23%
3) How much do you agree with the following statements? (Knowledge and skills)	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
I feel I have the technical knowledge necessary to do my job	0%	0%	0%	65%	35%
I feel I have good skills for working in a group	0%	0%	2%	56%	42%
4) Considering the team you work with, how much do you agree with the following statements? (Competence/Potency)	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
The team believes that it can produce high quality work	0%	0%	23%	35%	42%
The team expects to be known as a high performing team	0%	2%	14%	47%	37%
The team feels that it can solve any problem that comes up	0%	9%	26%	40%	26%
5) Considering the team you work with, how much do you agree with the following statements? (Meaning)	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
The team cares about what it does	0%	0%	9%	40%	51%
The team believes that its work is valuable and important	7%	5%	37%	40%	12%
The team believes that their tasks are useful	0%	0%	16%	51%	33%
6) Considering the team you work with, how much do you agree with the following statements? (Self-determination/Autonomy)	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
The team feels a sense of freedom in what it does	2%	9%	19%	51%	19%
The team determines how things are done on the team	0%	7%	40%	40%	14%
The team makes its own choices without being told by management	5%	19%	33%	42%	2%
7) Considering the team you work with, how much do you agree with the following statements? (Impact)	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
The team has a positive impact on this company's customers	0%	0%	16%	53%	30%
The team accomplishes its objectives	0%	0%	16%	70%	14%
The team performs tasks that matter to this company	0%	0%	7%	40%	53%
8) How satisfied are you with the following items? (Job satisfaction)	**Very dissatisfied**	**Dissatisfied**	**Neither satisfied nor dissatisfied**	**Satisfied**	**Very satisfied**
Pay	9%	19%	28%	44%	0%

Promotion opportunities possible	16%	28%	23%	28%	5%
Relations with other employees and departments	0%	2%	12%	53%	33%
Current tasks	2%	7%	23%	53%	14%
Level of autonomy	2%	5%	19%	56%	19%
9) How much do you agree with the following statements? (Organizational commitment)	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
I am loyal to the organization	2%	2%	2%	37%	56%
I expect to work for the company for a long time	5%	2%	23%	30%	40%
10) How much do you agree with the following statements? (Organizational climate)	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
I feel the burden of responsibility in having to make certain decisions independently	5%	12%	14%	53%	16%
Having to make decisions independently makes me anxious or frustrated	14%	44%	26%	16%	0%
I feel a lot of pressure from my colleagues to get my work done	16%	44%	19%	16%	5%
My colleagues constantly check on me	9%	30%	30%	23%	5%
11) How much do you agree with the following statements? (Need for power)	**Strongly disagree**	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
I like making decisions independently	0%	14%	30%	47%	9%
I like to influence the team's decisions	0%	7%	26%	51%	16%
I like to take on a leadership role	0%	0%	16%	56%	28%

Tabel 3: Weighted means for each question in macro areas

Content description: This table contains the weighted means calculated based on the percentages in Table 2.

Questions	Weighted means
1) How much do you agree with the following statements? (Social-political support)	
I have the support I need from my peers to do my job well	4,26
I have the support I need from my superiors to do my job well	4,09
2) How much do you agree with the following statements? (Information)	
I understand the goals and vision of the organization	4,02
I have access to the information I need to do my job well	3,95
3) How much do you agree with the following statements? (Knowledge and skills)	
I feel I have the technical knowledge necessary to do my job	4,35
I feel I have good skills for working in a group	4,40
4) Considering the team you work with, how much do you agree with the following statements? (Competence/Potency)	
The team believes that it can produce high quality work	4,19
The team expects to be known as a high performing team	4,19
The team feels that it can solve any problem that comes up	3,81
5) Considering the team you work with, how much do you agree with the following statements? (Meaning)	
The team cares about what it does	4,42
The team believes that its work is valuable and important	3,44
The team believes that their tasks are useful	4,16
6) Considering the team you work with, how much do you agree with the following statements? (Self-determination/Autonomy)	
The team feels a sense of freedom in what it does	3,74
The team determines how things are done on the team	3,60

The team makes its own choices without being told by management	3,19
7) Considering the team you work with, how much do you agree with the following statements? (Impact)	
The team has a positive impact on this company's customers	4,14
The team accomplishes its objective	3,98
The team performs tasks that matter to this company	4,47
8) How satisfied are you with the following items? (Job satisfaction)	
Pay	3,07
Promotion opportunities possible	2,77
Relations with other employees and departments	4,16
Current tasks	3,70
Level of autonomy	3,84
9) How much do you agree with the following statements? (Organizational commitment)	
I am loyal to the organization	4,42
I expect to work for the company for a long time	3,98
10) How much do you agree with the following statements? (Organizational climate)	
I feel the burden of responsibility in having to make certain decisions independently	3,65
Having to make decisions independently makes me anxious or frustrated	2,44
I feel a lot of pressure from my colleagues to get my work done	2,49
My colleagues constantly check on me	2,77
11) How much do you agree with the following statements? (Need for power)	
I like making decisions independently	3,51
I like to influence the team's decisions	3,77
I like to take on a leadership role	4,12

Tabel 4: Arithmetic means of the macro areas

Content description: This table contains the arithmetic means calculated for each macro area, considering the results reported in Table 3.

1) Social-political support	4,17
2) Information	3,99
3) Knowledge and skills	4,37
4) Competence/Potency	4,06
5) Meaning	4,01
6) Self-determination/Autonomy	3,51
7) Impact	4,19
8) Job Satisfaction	3,51
9) Organizational commitment	4,20
10) Organizational climate	2,84
11) Need for power	3,80