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**Master of Science in Management
Engineering**

HIERARCHY-FREE FORMS OF ORGANIZATION

Insights on the evolution and application of
different approaches

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Executive Summary

INTRODUCTION

The term Hierarchy-Free in this thesis is referred to all those organizations that decide to reduce or eliminate the number of hierarchical layers, implementing new forms of organizational design that grant employees more freedom and responsibility to undertake decisions that they, not their bosses decide are best. (Getz, 2012). We can observe that the Hierarchy-free forms of organization is a developing trend, during the last decade, and especially in French-based cultures. In addition, these forms of organization are also affirmed in North America, in particular into the United States, where Tom Peter has formally defined this trend in 1995 in his book “Liberation Management”. The study of the Hierarchy-free forms of organization is relevant for several reasons. First, these forms of organizations are supposed to reinforce the agility of the companies that decide to follow this pattern. And in the current context of economic, technological and socio-cultural changes, agility and flexibility are fundamental assets to be competitive. In addition, this new form of organization is potentially a mean to solve the problem of demotivation and un-satisfaction at work: Some of the reported benefits of Hierarchy-free forms of organizations are that employees feel more fulfilled with their jobs, their performances improve and the companies become more creative and closer to client needs. Finally, another reason is purely methodological: even if many reviews around the subject of hierarchy free organizations have been previously elaborated by different academics, journalists, institutions or professionals, most of them focus on a single organizational trend, such as *Entreprise Libérée*, *Holacracy* or *Sociocracy*. Furthermore, rarely they conduct an objective and complete analysis, including both the bright and the dark sides of this kind of phenomenon. On one hand, this study is supposed to systematically synthesize past efforts in an ordered and holistic way. On the other hand, it also aims to identify not only the benefits but also the limits of the phenomenon, providing some recommendations or reflections suggestions in order to overcome them. Finally, a last element that is relevant to mention to further determine the relevance of the thesis is the theory developed by Frederic Laloux according to which this new form of Hierarchy-Free organization represents a new organizational paradigm emerging.

The objective of the thesis is to study from a general point of view the phenomenon of the Hierarchy-free Forms of Organizations. In particular, this thesis aims to answer to five questions:

- Why the Hierarchy-free forms of organization arise?
- What they are?
- How can they be implemented?
- Which results they imply?
- What could be the possible future developments?

METHODOLOGY

The methodology used in the redaction of this thesis has been mostly the one of a systematic literature review. The figure hereunder provides an overview of the research approach. (Tranfield et al., 2003)

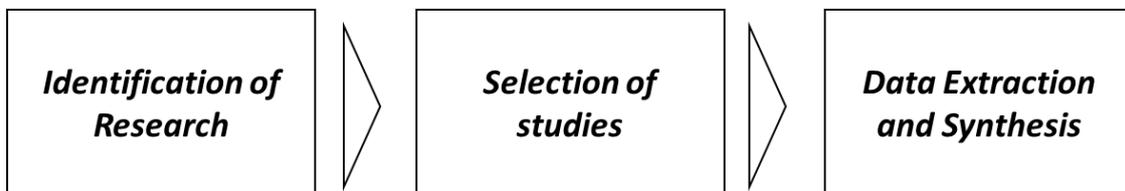


Figure 1 Steps of the methodology

- Identification of research: During this phase, first I identified the main research tools. Then, I explored the main fields of studies regarding Innovative Organizational Designs, Sociology and Managerial Innovation, finding out the main journals, on-line platforms and experts discussing the domains to which the subject of the thesis belongs. Finally, the key words to use for the first research have been defined. In particular, I chose: Hierarchy-Free, Liberation, Control, Managerial Innovations, Organizational Change, and Lean Organization.
- Selection of studies: I performed a screening over the sources identified in the former step, determining which one I would have selected to include into the Thesis, and eliminating the ones that I have not deemed relevant
- Data extraction and synthesis: In this phase, for each reference I documented on a paper support: general information (Author, title, publication details); Study features and specific information and notes on emerging themes coupled with details of synthesis. Finally, for the research synthesis I summarized, integrated, and, where possible, cumulated the findings of different studies on the topic, helping the understanding with visual representations that have allowed to provide a clearer framework of the structure of the thesis.

SYNOPSIS OF THE RESULTS

Reconstructing some of the historical influences of the Hierarchy-Free phenomenon, which are synthetized in the image below, allows to draw the first conclusion that the Hierarchy-free organizations, as they are intended today, are not an innovation. Indeed, these organizations are more likely to represent a convergence of multiple organizational theories, movements or isolated episodes, rather than radical innovations. Thus, the phenomenon which is objective of this thesis can be more considered as a “catalyzer”. Indeed, “it catalyzes the desires, authorizes the individuals to share their intimate conviction and mobilizes them towards the change. Without creating practices or models that do not have precursors, the “Entreprise Libérée” conveys the desire of a social body to change the traditional, “institutionalized” model of organization.” (Bismuth, 2016).

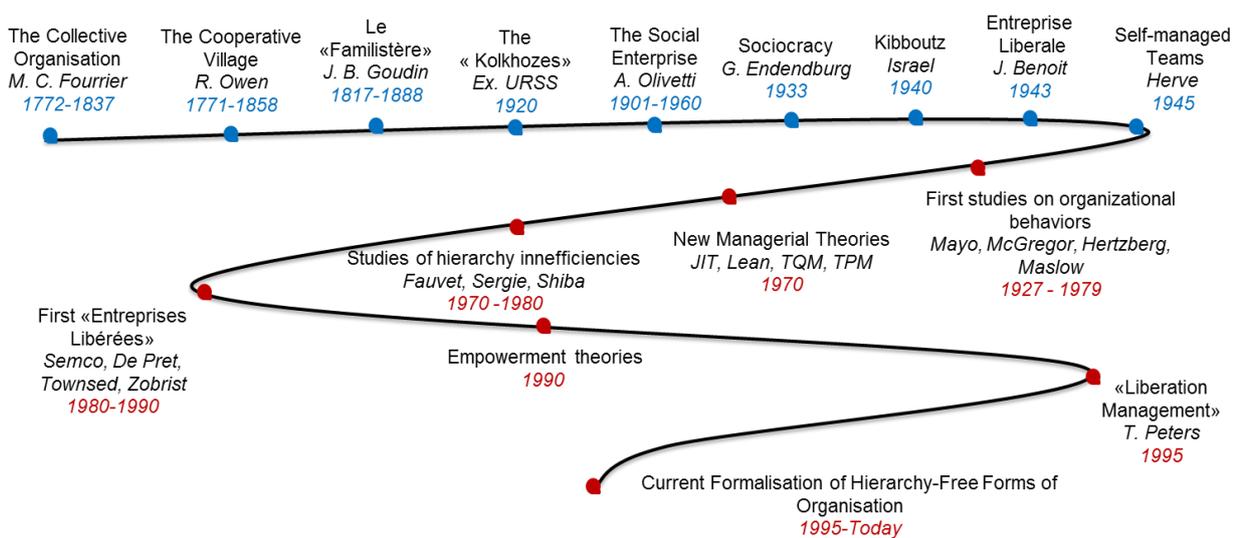


Figure 2 Historical excursus

(All the dots in light blue represent the isolated organizational episodes that have manifested until 1945. Instead, all the dots in red, represents academic/research studies and theories focusing on specific aspects that characterize the current forms of Hierarchy-Free organizations).

Before starting to enter in the detail of Hierarchy-Free organizational models, the concept of traditional hierarchical models has been defined. A Hierarchy is a pyramidal organization in which each level corresponds to different degrees of authority, exerted by the upward managerial entity on the one on the level just below, that could be another managerial entity or an operational one.

On every level, people do not depend one on each other. All these hierarchical relations constitute the company hierarchy. (*Mintzberg, 1995*)

Usually Hierarchical traditional organizations are characterized by (Mintzberg et al, 1995): Formalization of work; Culture of rules and procedures; Power centralization; Functional departments, with functional lines that go all the way to the top, allowing top management to maintain centralized control; Job specialization (driven by the formalization of work and the functional structure); Culture of control. In particular, the control in these vertical organizations is more effective in respect to the flat ones, because every manager has generally a more restricted control scope of employees.

Hierarchies still arise and are present in organization mainly due to their efficiency in managing big and complex tasks. In addition, hierarchies reflect our mindset in solving problems, and they are well installed in the functioning of our society. On the contrary, they have several limits, which are the main causes of un-satisfaction and consequently of arise of Hierarchy-Free. On one hand, they incentivize several inefficiencies due to the communication and the distance between decision-makers and doers; they imply important dynamic of controls that generate costs, stifle creativity and initiative taking. On the other hand, they de-humanize individuals within the organization: the block warm interpersonal relationship, they are not democratic and they can generate greed and immorality. It is then possible to conclude that still Hierarchies have their reason of being, and their presence into organizations is logical. Nevertheless, they have many limits, which over time have catalyzed an important desire of change and “liberation”. This desire is at the foundation of the reaction of many organizations into the implementation of Hierarchy-Free, which are the core subject of this thesis, and that will be systematically explored in the following.

As a starting point, it is natural to try to provide a formal definition of Hierarchy-Free. Given that this phenomenon is heterogeneous, there are multiple definitions developed according to the studies or the working experiences of academics or professionals. Each one of these authors stresses some particular aspects of their conception of Hierarchy-Free compared to the others, but anyway all of them have a set of common characteristics that define them as belonging to the Hierarchy-Free organizations. The approached identified are:

- L'Entreprise libérée (Isaac Getz)
- The Holacracy (Brian Robertson)

- The Sociocracy (Gerard Endenburg)
- The Jan Carlzon Model (Jan Carlzon)
- The Vineet Nayar Model (Vineet Nayar)
- The Blue Paradigm (Frederic Laloux)

It is then relevant to study which reasons drive organizations to implement a Hierarchy-Free. The drivers that trigger an organization to eliminate, or at least reduce, hierarchical levels, and to assume the form of a Hierarchy-Free can be clustered in four big categories: Reaction to a crisis; Will to solve the psychosocial problems of employees; Tension towards differentiation; Reaction to an “inefficient” organization. The liberation can be triggered by a single reason or a cluster of different reasons depending on the case.

After having provided different forms of definition of Hierarchy-Free, and analyzed the drivers that can lead to its implementation, the focus has been to study the features of this form of organization. In particular, the aim has been to identify what differential elements belong to Hierarchy-Free compared to the traditional hierarchical organizations. According to the studied conducted, these differences concern mainly four elements: The Organization, The Values, The Organizational and Managerial Practices and The Internal Initiatives.

In order to provide a synthetic overview, four matrix, one for each one of these four elements, will describe the differentiating elements of Hierarchy-Free according to each perspective.

The Organization		
<i>Organizational Design</i>	<i>Team Functioning</i>	<i>Working Environment</i>
<i>Horizontal autonomous teams</i>	<i>Project and objective driven logic</i>	<i>Flexible working schedule</i>
<i>Suppression of hierarchical layers</i>	<i>Autonomy of role definition</i>	<i>Ludic spaces</i>
<i>Suppression of support functions</i>	<i>Transparency of information</i>	<i>Open spaces</i>
<i>Supporting top management</i>	<i>Self-regulation</i>	<i>Abolition of signs of power</i>
	<i>Coordination of a leader (not a manager)</i>	

Table 1 The organization

The Values					
Human values	Trust	Transparency	Working values	Wholeness	Evolutionary Purpose
<i>Relatedness</i>	<i>Leaders toward team members</i>	<i>Bilateral dialogue with strategic circles</i>	<i>Initiative taking</i>		
<i>Autonomy</i>	<i>Team members toward leaders</i>	<i>Financial information transparency</i>	<i>Freedom</i>		
<i>Competence</i>	<i>Inter-peers</i>	<i>Implementation of communication tools</i>	<i>Risk taking</i>		
	<i>Employees toward top management</i>	<i>Strategic information transparency</i>	<i>Valorization of passion and personal talents</i>		
			<i>Respect, dignity and responsibility</i>		

Table 2 The values

The Organizational and Managerial Practices				
<i>Liberating Leader</i>	<i>Decision-making</i>	<i>Dispute Resolution</i>	<i>Recruitment & Training</i>	<i>Remuneration</i>
<i>Listening attitude</i>	<i>Collective (or advice-process based)</i>	<i>Inter-peer resolution with rare interventions of leaders and top management</i>	<i>Recruitment managed by team members</i>	<i>Including a sharing part</i>
<i>Animator role</i>	<i>Absence of regulation</i>		<i>Training managed by team members</i>	<i>Linked to employees' results</i>
<i>Culture & value keeper</i>	<i>Common-sense based</i>		<i>Training on company values</i>	<i>Competence-based</i>
<i>Creative</i>			<i>Intervention of top management to preserve values</i>	<i>Autonomously defined by employees</i>
<i>Responsible</i>			<i>Absence or lightened role of HR</i>	
<i>Wise</i>				

Table 3 *The organizational and managerial practices*

The Internal Initiatives			
<i>Empowering oriented</i>	<i>Innovation oriented</i>	<i>Information sharing oriented</i>	<i>Social oriented</i>

Table 4 *The internal initiatives*

It is important to underline that not all the Hierarchy-Free companies adopt all the elements described, and even more important, every company implement each element in a different way, which is most suitable to the environment in which it operates. This observation contributes to the

conclusion that it does not exist a “one best way” to define a Hierarchy-Free, and this means that there is a wide scope of configurations possible, with different degrees of “liberation” intensity. By the way, the underlying principles are the same and if properly identified, can help to understand the functioning of the organization observed.

Concerning the implementation of a Hierarchy-Free, two categories of implementation practices have been identified:

- 1) **The basic implementation practices:** These practices represent the actual process of implementation, and include all the concrete actions carried out from the moment where the CEO matures the decision to go through the Liberation Process, until the ongoing practices of preservation of the Hierarchy-Free culture. In particular, five implementation steps have been identified, and they are synthetized in the image below.

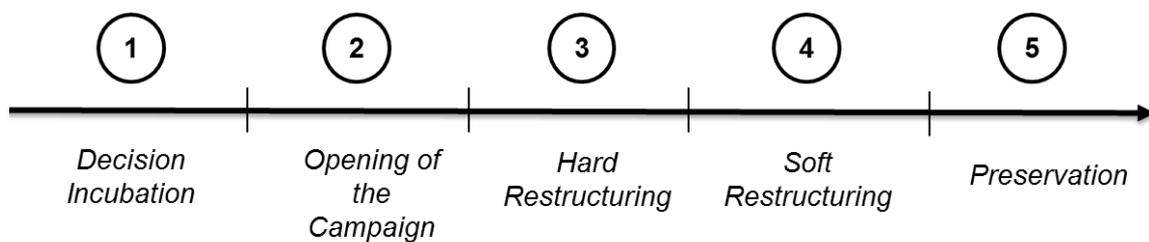


Figura 3 The implementation process

- 2) **The change management practices:** These practices are not linked to the “material” actions of implementation, but on the posture and the approach to adopt in managing the change and the resistance coming from the organization. These approaches have been recently formulated and take into consideration change management practices with a particular focus on how they can be implemented in Hierarchy-Free organizations. They are: Liberation through narrativity and storytelling (Legrand et al., 2016); Sense management (Arnaud et al., 2015) and the Intermediate managers redefinition (Bardon et al., 2015).

Finally, as far as the results that this form of organization can generate, it has been studied that there are several benefits that affect the organization as well as the individuals. These benefits concerns mostly engagement, innovation, flexibility and client proximity. The overview of the business results provided confirms also that, even if it is difficult to really establish a link between organization practices and business results, many companies have improved their performance

since the implementation of a Hierarchy-Free. On the other hand, it is fundamental to be conscious that it is a risky process. Indeed, there are several individual and organizational risks that have to be considered because if ignored and not mitigated can degenerate in problems leading to an organizational failure. Some of the risks identified can be mitigated, for some others the mitigation is difficult, or in some cases, not possible. For instance when employees do not identify with the Hierarchy-Free ethical perspective. Anyway, most of the risks can be mitigated through change management practices. This consideration underlines once again the importance of a careful, suitable and effective change management program. A detailed description of Hierarchy-Free mitigation strategies is provided in chapter 6 of this thesis.

Then, an empirical picture have been studied and provided in the thesis. According to this empirical overview, Hierarchy-Free is starting to be an established trend. The movement has born in North America, and it is consolidating itself in Europe, especially in France. It does not concern a set of specific industries in particular; instead, it can be identified in the most different domains. This trend is existing since fifty years ago, even if it has been formalized in 1995. Moreover, the description of two case studies of two French companies, Favi and Chronoflex, allows to notice how the Hierarchy-Free philosophy can be implemented in two organizations that belongs to different industries, but to the same country culture. Even if the principles underlying the form of organization are the same, the ways through which they are deployed on the organizational layout, the support functions, recruitment, remuneration and internal initiatives can be different. This contributes to confirm that Hierarchy-Free is not implemented according to a specific framework, each case is suited to the context, the history, the culture and the experience of the company where it is implemented.

A last contribution of this thesis concerns the analysis of a possible further evolution of the Hierarchy-Free trend. The absence of Hierarchy already assures agility and flexibility to the company adopting the Hierarchy-Free, thanks to the faster decision-making, the client orientation and the enlargement of competences of employees. But how this agility can be furtherly stretched to the extreme, in order to make the Hierarchy-Free even more oriented and reactive to the client needs? The thesis explore the "Outside-in" perspective, explaining how it can be interpreted as a form of agility. The outside-in perspective allows the company to be more reactive and oriented to the client needs. Indeed, its business it is no more defined starting from the internal of the company itself or from a definition of industry, but from the client expectations, behaviors, experience and needs. This perspective should be always taken into account with awareness, in order to avoid the vicious

circle of control to solve internal problems. In addition, not necessarily this attitude should be undertaken when the company starts to experience decline and needs to recover, but it should be an ongoing practice. Finally, there is a focus on Semco, a Brazilian company that is an application of this outside-in perspective and a relevant example of organizational agility.

MANAGERIAL IMPLICATIONS

According to the studies on the literature, most of the times companies decide to undertake the pattern of Hierarchy-Free in a quite radical manner, deciding to intervene on all the perspectives described in chapter three. The leaders that are keen to rethink completely their organization as several companies have already done should:

- Lay the conceptual basis of the Hierarchy-Free design. They should determine a clear vision and plan what the company is going to become and what principles should be followed, so that a careful implementation plan can be carried out.
- Carry out a preliminary reflection concerning all the risks linked to the implementation of Hierarchy-Free, and the consequent risk mitigation strategies.

But not necessarily all the singular practices, initiatives, values and organizational designs of Hierarchy-Free must have sense just in a “complete” Hierarchy-Free organization: they can be individually studied and implemented also in more traditional forms of organization. Some isolated practices can be adopted in order to increase flexibility, increase engagement and innovation. These practices are for instance the organization of teams, the reorganization of the working environment and all the internal initiatives described. Finally, the change management practices such as the sense management and the intermediate manager redefinition can be useful also in traditional organizations that do not undertake a pattern of complete liberation but still are implementing changes concerning the organization that require a change management effort.

LIMITATIONS OF THE STUDY

As every study, this thesis has some limitations. A first limit concern the empirical overview that has been conducted. Indeed, the companies analyzed, from which parts of the insights have been extracted, represent just a sample of the totality of the Hierarchy-Free companies currently existing. Furthermore, the case studied are all secondary sources, which means that the observations and

the facts presented have been collected from other academics. In this thesis, there is not an empirical analysis on primary sources. Moreover, another limit is linked to the scope of the thesis: given that the objective is to provide insights concerning a trend, completeness has been preferred to profundity. This means that many of the subject mentioned such as motivation, trust, transparency but also the internal initiatives, could be furtherly detailed and analyzed, to allow a more comprehensive understanding. Then, this thesis does not take into account all the sources that treat and discuss aspects of Hierarchy-Free. Even if all the most relevant aspects have been touched, additional triangulations with other sources can strengthen the validity of the conclusions. Just to summarize, all these limits concern mainly the generalizability of the insights provided in this thesis, and they should be then taken into account in the future research to reinforce the work that has already been made.

DIRECTIONS FOR FUTURE RESEARCH

The last considerations concern the future researches and literature reviews that can be made. The phenomenon of Hierarchy-Free is currently studied in relation with the country culture and the big organizations. How can the Hierarchy-Free be adapted to Asiatic cultures? Which mechanisms to make Hierarchy-Free effective also in big corporations? The literature is not exhaustive yet on these two dimensions, and they can be interesting to be explored to generate new lessons learnt that can interest not only Hierarchy-Free, but any forms of organization. Another subject that can be furtherly analyzed are the agile organizations. Chapter six draws just a basic representation of agile organizations. But it could be interesting to understand this topic in a more systematic and academic way, given that it is really current and interesting, especially in the light of the growing complex and dynamic environment. Already many academics have studied it, and the amount of material produced can be an interesting focus of additional literature reviews.

1 INTRODUCTION

1.1 RELEVANCE OF THE THESIS

The term Hierarchy-Free in this thesis is referred to all those organizations that decide to reduce or eliminate the number of hierarchical layers, implementing new forms of organizational design that grant employees more freedom and responsibility to undertake decisions that they, not their bosses decide are best. (Getz, 2012). We can observe that the Hierarchy-free forms of organization is a developing trend, during the last decade, and especially in French-based cultures: for example, the “Entreprises Libérées” are currently 300 in France and 6% in Belgium, compared to the 2% of 2012 (Getz, 2016). In France a movement was created – around Isaac Getz – by a group of company leaders to promote these ideas. Among their names, we can find the CEOs of Favi, La Maif, ChronoFlex, Imatechnologies. The concept is also gaining momentum in management magazines and the general media, often linked with the concept of happiness at work. For instance, a 1-hour and a half documentary called “Le Bonheur au travail” have been aired on Arte Tv in 2015, but we can also observe many interventions on the subject on French Radio channels or Business News television emissions. In addition, these forms of organization are also affirmed in North America, in particular into the United States, where Tom Peter has formally defined this trend in 1995 in his book “Liberation Management”.

The study of the Hierarchy-free forms of organization is relevant for several reasons. Hereunder some of the main ones. First, these forms of organizations are supposed to reinforce the agility of the companies that decide to follow this pattern. And in the current context of economic, technological and socio-cultural changes, agility and flexibility are fundamental assets to be competitive. In addition, this new form of organization is potentially a mean to solve the problem of demotivation and un-satisfaction at work: according to the study “*State of the Global Workplace: employee engagement insights for business leaders worldwide* » – Gallup, Inc. – 2013 “ 63% of the global workforce is disengaged in their companies, 24% completely disengaged, and only the 13% is actively engaged. This situation is even more negatively accentuated in countries where the

presence of hierarchy and control is stronger, such as France. Some of the reported benefits of Hierarchy-free forms of organizations are that employees feel more fulfilled with their jobs, their performances improve and the companies become more creative and closer to client needs (Getz 2009; Guiheneuf et al. 2013; Noblet 2014). Finally, another reason is purely methodological: even if many reviews around the subject of hierarchy free organizations have been previously elaborated by different academics, journalists, institutions or professionals, most of them focus on a single organizational trend, such as *Entreprise Libérée*, *Holacracy* or *Sociocracy*. Furthermore, rarely they conduct an objective and complete analysis, including both the bright and the dark sides of this kind of phenomenon. On one hand, this study is supposed to systematically synthesize past efforts in an ordered and holistic way. On the other hand, it also aims to identify not only the benefits but also the limits of the phenomenon, providing some recommendations or reflections suggestions in order to overcome them.

Finally, a last element that is relevant to mention to further determine the relevance of the thesis is the theory developed by Frederic Laloux according to which this new form of Hierarchy-Free organization represents a new organizational paradigm emerging (Laloux, 2014). This theory is synthesized in chapter 3.1.6.

All these elements make the Hierarchy-free movements an interesting trend to analyze. To not only understand the phenomenon as it is and try to guess what could be future implications and developments, but also to learn some isolated drawbacks useful for companies that do not completely follow the pattern of hierarchy elimination.

1.2 OBJECTIVE OF THE THESIS

The objective of the thesis is to study from a general point of view the phenomenon of the Hierarchy-free Forms of Organizations. The meaning of “general” in this case is linked to the fact that even if every topic treated in this paper could be detailed furtherly, the focus of the analysis will remain on a general perspective, so that it is possible to have a basic picture of this organizational trend.

In particular, this thesis aims to answer to five questions:

- Why the Hierarchy-free forms of organization arise?
- What they are?
- How can they be implemented?
- Which results they imply?
- What could be the possible future developments?

The aim is also to study the phenomenon from a critical perspective: hierarchy-free movements such as “L’entreprise Libérée” can quickly get the connotation of a craze (Collectif des Mécréants, 2015). This means that the novelty and the promises brought by the movement can generate many followers that emphasize just the benefits of it, without assessing which negative consequences the implementation can imply. In this study, there is also a critical effort, devoted to underline also the risks, not only the advantages.

1.3 THE METHODOLOGY

The methodology used in the redaction of this thesis has been mostly the one of a systematic literature review. In particular, every chapter except chapter five, have followed this method. In the following, the explanation of the process applied.

1.3.1 The systematic review approach

The figure hereunder provides an overview of the research approach. This methodology has been adapted from the article “Towards a Methodology for Developing Evidence-Informed Management Knowledge by Means of Systematic Review” written by David Tranfield, David Denyer and Palminder Smart. British Journal of Management, 2003.

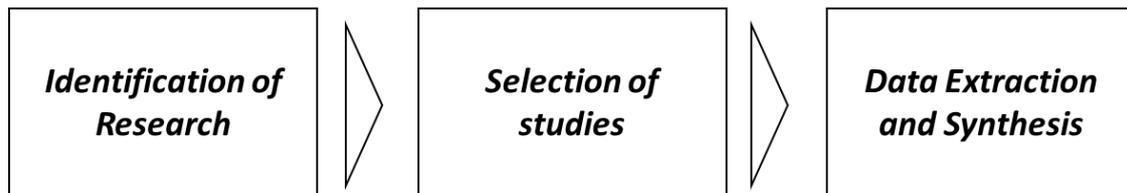


Figure 1.1 Steps of the methodology

The process of systematic literature review has started with the “*Identification of research*”. In particular, for the very first step I identified and selected the following research tools:

- Audencia Business Schools databases (Business source complete, Delphes, Europresse, Euromonitor, Xerfi, Ebsco Discovery tool, Cairn, Organization Science)
- Google Scholar
- Scopus
- Research gate

In addition, I collected and consulted many written books from the Bibliothèque Publique d’Information in the Centre Pompidou in Paris. During this phase, I explored the main fields of studies regarding Innovative Organizational Designs, Sociology and Managerial Innovation, finding out the main journals, on-line platforms and experts discussing the domains to which the subject of the thesis belongs. Then, I defined the key words to use for the first research. In particular, I chose: Hierarchy-Free, Liberation, Control, Managerial Innovations, Organizational Change, and Lean Organization. After having selected the first key references, further ones have been identified from the bibliography, using an incremental approach. Finally, I classified the references distinguishing between Academic sources and Professional one.

For the “*Selection of studies*” phase, I performed a screening over the sources identified in the former step, determining which one I would have selected to include into the Thesis, and eliminating the ones that I have not deemed relevant. At the end of the screening, the main sources identified have been 25. In the image below, the authors of these sources are listed and clustered by category.

<i>Entreprise Libérée</i>	<ul style="list-style-type: none">- Getz et al. (2009, 2012, 2015, 2016)- ANACT (2014)- Legrand et al. (2014)- Collectif des Mcreants (2015)- Laloux (2014)- Bismuth (2016)- Guihéneuf (2013)
<i>Holacracy, Sociocracy and other Hierarchy-Free trends</i>	<ul style="list-style-type: none">- Endenburg (1988)- Robertson (2001)- ANACT (2015)- Nayar (2014)- Carlzon (1996)- ESC Clermont (2015)
<i>Change Management Practices</i>	<ul style="list-style-type: none">- Kotter (1995)- Fisher et al. (1981)- Porter (2016)- Arnaud et al. (2016)- Bardou et al. (2015)- Legrand et al. (2015)
<i>Hierarchical Forms of Organization</i>	<ul style="list-style-type: none">- Mintzberg (1995)- Bartezzaghi et al. (2010)- Leavitt (2005)- Graeber (2015)
<i>Case Studies</i>	<ul style="list-style-type: none">- Legrand et al. (2014)- Semler (2004)- Gilbert et al. (2013)- Hamel (2011)
<i>Agile Organizations</i>	<ul style="list-style-type: none">- Laloux (2014)- Semler (2004)- Smith (2012)

The logical conclusion of the review has been finally the *“Data extraction and synthesis”*. In this phase, for each reference I documented on a paper support:

- General information (Author, title, publication details);

- Study features and specific information;
- Notes on emerging themes coupled with details of synthesis;

Finally, for the research synthesis I summarized, integrated, and, where possible, cumulated the findings of different studies on the topic, helping the understanding with visual representations that have allowed to provide a clearer framework of the structure of the thesis.

All over the process, the selection of the references and tools has followed the criteria of:

- Authoritativeness
- Context sensitivity
- Theoretical adequacy
- Generalizability
- Adequacy of sampling strategy.

In addition, as mentioned before, I tried to do the effort of highlighting both the strengths and the weaknesses of the research stream in a critical manner, providing an easily readable summary of the phenomenon, not an articulated and dispersive plot.

1.3.2 The interview approach

This approach has been used just for the redaction of chapter 5. After having identified the risks and the limits of implementing Hierarchy-Free Forms of Organization, I conducted some interviews with Thibaut Bardon and Céline Legrand, two associate professors at Audencia Business School who have studied the subject and are involved in research on Managerial Innovations. The aims of these interviews have been trying to identify some potential guidelines and reflections to overcome the risks and limits of these organizations. In order to perform these interviews, I developed an Interview guide in which some questions have been formulated for each one of the risks identified in order to try to stimulate the reflection over the possible solutions. In the formulation of the interview guide, I paid attention to open always the question with a statement of general interest, to encourage movements from the general to the specific, to ask for practical examples and to ask questions that open up the conversation, not closed ones that can just lead to restricted answers.

1.4 THE FOUNDATIONS OF HIERARCHY-FREE MOVEMENTS

The objective of this chapter is to map the organizational theories, movements and isolated episodes that studied or represented in the past some features of the Hierarchy-Free companies, as we intend them currently. In other words, the underline aim is to reconstruct some of the historical influences of this phenomenon. The mapping provided hereunder has not the pretention to be complete and exhaustive, but it allows anyway to draw some relevant reflections.

1.4.1 Marie Charles Fourier: “Les Phalanstères” (1772-1837) - France

Marie Charles Fourier has been probably the first to theorize a collective organization form based on the passions of individuals: “Les Phalanstères”. This professional organization has been founded starting from the belief that employees feel alienated if the organization does not take into account their passions.

1.4.2 Robert Owen: The Cooperative Village (1771-1858) - England

Robert Owen is driven by the idea that the community determines the actions of the individuals, and the happiness at work can influence the performance of the employees. Thus, he deemed necessary to put in place more equitable and human-respecting working conditions. He increased the salaries of the laborers of his textile factory in New Lanark; he created the equivalent of the first “company restaurant”; he reduced the compulsory working hours and he created some schools around the company that in the evening transformed in social center dedicated to workers. He tried to diffuse his ideas in England, United States and Mexico, without generating much consensus.

1.4.3 Jean-Baptiste André Godin: “Le Familistère” (1817-1888) - France

Inspired by the ideals of Fourier, Godin decided to devote its frying pan factory also to social aims:

he built all around the factory workers habitations, washhouses, a school, a theater, a swimming pool and a library too. A shared remuneration system has also been implemented among the factory laborers.

1.4.4 The “Kolkhozes” (1920) – Ex. URSS

The Kolhozes were agricultural cooperatives in the Soviet Union where lands, stocks and tools were shared among the communities. These cooperatives were divided in brigades that included between fifteen and twenty families. Each brigade had the autonomy and the responsibility over the management of their assets.

1.4.5 Adriano Olivetti: The Social Company (1901-1960) – Italy

Also Olivetti firmly believed that the economic performance does not depend just on a pertinent strategy, but also on the well-being of employees. *“The well-being of workers is not an abstraction: We can build it listening to them, favoring their training, supporting their life and family projects. My hope is that these values could be contagious and that they can generate some good practices, founded on the individual responsibility, on ideals and on trust, with the aim of realizing a company useful for the society and culturally stimulating”* (Paracone, 2010). Concretely, he implemented several changes in his typewriters company: He changed the production systems transforming the production lines into productions “islands”; he worked with ergonomists to improve the working environment of the factory; He set a remuneration standard 20% higher compared to the industry average and he reduced the weekly working hours from forty-eight to forty-five hours. Synthetizing, Olivetti conceived a company as:

- A place of social and cultural evolution;
- A community that prevents the concentration of politic power on a restricted elite;
- An organization that makes employees responsible;
- A place that favors the collaboration.

1.4.6 Gerard Endenburg: The Sociocracy (1933 -) – Netherland

During his career as an electrotechnical engineer, Endenburg matured the need to study how to improve the social climate into communities. He developed a social system called “Sociocracy”, which is built around some universal principles applicable on not only companies but also on schools or other type of communities. Four fundamental rules structure this model:

- 1) The decision making is based on mutual consensus;
- 2) The organization is structured in Circles that gather all the actors of an operational service. Each Circle is guided by a personalized vision and mission;
- 3) A double communication link is established between the Circles, consisting in designing a responsible for incoming and outgoing communication in every Circle;
- 4) The election of the leader of each Circle is made without candidates.

According to Endenburg there are three conditions necessary for the functioning of a Sociocratic System:

- A strong commitment of the company top management;
- The learning of a set of basic methods from everybody in the organization;
- A frequent checkpoint in order to keep the system undimmed.

The Sociocracy will be furtherly detailed in chapter 3.1.

1.4.7 The Kibbutz (1940 -) – Israel

The Kibbutz is a collective community in Israel that was traditionally based on agriculture. This community was based on equity rules and on the concept of common property. This implies that every single individual belonging to the Kibbutz has to work for all the others individuals in the community, receiving in exchange the output of the work of the others. Specific practices have been used in these communities for the rearing of children, as well as for the promotion of gender equality and for social life preservation.

1.4.8 Jacques Benoit (1943 -): The liberal enterprise - France

Jacques Benoit retailing company is well known not only for its economic performances, but also because its director transformed it in a social laboratory gravitating around five democratic principles:

- 1) Managers have to be elected by employees and shareholders;
- 2) The adhesion to a syndicate is compulsory;
- 3) The company has to have goals beyond the financial and economic ones;
- 4) Employees must be consulted for strategic decisions, and they can exert the veto duty;
- 5) Employees are invited to evaluate their managers.

1.4.9 Michel Hervé (1945 -): The Industrial Democracy – France

Hervé created in 1972 the Group Hervé, which operates in the domain of energy production and which today gathers more than 2500 employees. Passionate of History and Anthropology, Hervé studied the principles typical of primitive communities, and adapted them to the working values of his company. Synthetically, the main principles he has spread into his group are:

- Autonomy and responsibility;
- Team organization;
- Auto-evaluation;
- Participative rules formulation;
- Participative democracy.

At this point, it is interesting to make a couple of considerations. What we can observe from this first review of the roots of the Hierarchy-Free movements, is a series of isolated initiatives, mostly carried out by recognized leaders. In particular, there are some features common to all of them. First of all, they conceive the company as a “democratic community”, where every member has got a political weight. Moreover, these leaders firmly believe in their convictions, representing sort of Messiahs of their organization, especially in the first phases of implementation. They are charismatics and motivating. In addition, they usually aim to reduce the Hierarchy, the control and

the concentration of power to some elected elites. As it will be possible to see later on in this thesis, all these characteristics are fully reflected in the current forms of Hierarchy-Free organizations.

It is also interesting to notice that the episodes identified until the second half of the XX century, took place in different locations, with different cultural backgrounds. As we have seen, there have been initiatives in France, England, Israel, Russia and Italy.

While until 1950 we have observed just episodes of charismatic leaders which most of the time are professional, starting from the second half of 1900 these “liberal” organizational trends attracted the interest of scholars, researchers and academics. As we will see in the following, there has been a growing interest in studying the “liberating” initiatives carried out in that period, focusing on specific subjects that currently identify Hierarchy-Free organizations. For instance, these subjects can be motivation, control, autonomy and responsibility. The first movement that started to approach in a systematic way these studies is presented below.

1.4.10 First studies of People and Organizational Behaviors – (1927 – 1979)

These organizational studies began in between the first and the second world wars in Europe as a reaction to the Tayloristic and OSL conception of work. In particular, the “one best way” philosophy and the complete rational vision of work typical of these theories developed by Taylor started to be criticized. On the contrary, much more attention has been paid to employees’ psychological factors and to working environment conditions. In the following, a synthesis of the main contributions (Bartezzaghi, 2010).

- Elton Mayo (1880-1949): After some experiments conducted in the Hawthorne Works factory of General Electrics, he concluded that the productivity of employees depends not only on economic incentives but also on managers’ attention for the individual working context, social and working environment and cooperation.
- Douglas McGregor (1960): McGregor studies the issue of how the manager should cope with his subordinates. He identified two types of organization theories, on one hand the Tayloristic organization (Named Theory X), for which the worker tends to dislike and avoid working responsibility, and he prefers to work under strictly controlled conditions. On the

other hand, according to the Theory Y, employees accept physical and mental efforts and can self-manage; they are capable of creativity and can consider work as a source of auto realization.

- Abraham Mayo (1908-1970) and Frederick Herzberg (1923-2000): Mayo and Herzberg approached the study of motivation at work. Maslow theorized a hierarchical model of human needs, and he concluded that motivation rise from the progressive research of needs satisfaction all along the pyramid of needs. The basic level corresponds to physiologic needs, the last one to auto realization needs. On the contrary, Herzberg states that satisfaction and un-satisfaction are not two extremes of the same dimension: while factors such as physical working conditions and the remuneration can generate un-satisfaction but not satisfaction, the content of work and the career perspectives can generate satisfaction if stimulating, but not un-satisfaction if absent.

1.4.11 New Managerial Theories – (1970 -)

Starting from the '70 some managerial and organizational changes deeply influenced the internal functioning of companies. These innovations included approaches as *total quality management, just in time, concurrent engineering, total productivity management, lean production etc...* In particular, some features generally identify these practices (Bartezzaghi, 2010):

- Job enlargement and Job enrichment;
- Working configuration in teams;
- Increase of responsibility delegation;
- Research of flexibility;
- Reduction of the number of hierarchy levels.

1.4.12 Fauvet, Covey, Senge, Shiba – (1970 – 1980) – France

During the '70, some philosophers, such as Fauvet, and researchers, such as Covey, Senge and Shiba, studied the hierarchic and bureaucratic organization, explaining how they can lead to conflicts and under-performances. They started also to create model of forms of organization based on

employees' self-management. Their studies inspired some leaders, such as Ricardo Semler, Max De Pree and Robert Townsend in the implementation of the first forms of "Entreprises Libérées", even if at that time this definition was not used yet. (Getz, 2012)

1.4.13 Empowerment – (1990)

Empowerment is a term that is used in a variety of discipline with different meanings. A study on the meaning of empowerment by (Bartunek & Spreitzer 2006) found 17 different meanings grouped into 3 broad categories: sharing real power, fostering human welfare and fostering productivity.

In management literature, the term became popular in the 1990s. It is mostly used to mean increased participation in decision-making. "The meaning of empowerment in the management discipline has also focused on increasing employees' knowledge, information, and resources to take more ownership of their work", with an expectation that empowerment will increase productivity and reduce the cost of supervision. (Bartunek & Spreitzer 2006)

Empowerment in management literature can refer either to a multidimensional psychological state or to a set of management practices. The two concepts are interrelated since empowering management practices tend to enhance employee psychological empowerment. (Charbonnier-Voirin & Akreimi 2011)

Psychological empowerment is defined as intrinsic task motivation (for individuals or teams) and includes four cognitive dimensions (Spreitzer 1995; Thomas & Velthouse 1990; Kirkman & Rosen 1999):

- 1) **Meaningfulness:** degree to which an individual or a team perceive their tasks to be valuable or to fit their values/beliefs/behaviors
- 2) **Competence or self-efficacy or potency:** belief of an individual or a team in its ability to be effective
- 3) **Self-determination or autonomy:** degree to which an individual or a team feel independent in their work

- 4) Impact: degree to which an individual or a team believe they can influence outcomes at work.

(Kirkman & Rosen 1999) found that high levels of psychological empowerment in a team lead to increased productivity, pro-activity and customer service as well as job satisfaction, organizational commitment and team commitment.

According to (Charbonnier-Voirin & Akremi 2011) empowerment practices by managers increase employee adaptive performance (capacity to adjust behavior to adapt to a new environment, situation or event). The impact of empowerment practices on performance is increased if employees believe that their manager values their work and cares about their well-being. (Charbonnier-Voirin & Akremi 2011).

A longitudinal study by (Lorinkova et al. 2013) demonstrated that teams with empowering leadership experience a learning process that lead them to initially underperform teams with directive leadership. However, once they are beyond that learning process, teams with directive leadership's performance plateaus and they are outperformed by teams with empowering leadership.

1.4.14 Tom Peter: Liberation Management – 1995 – USA

The term “Entreprise Libérée” has been created from the American management specialist Tom Peter, in his work “Liberation Management” published in 1995. He proposed a new model of management that deeply challenged the assumptions of the classic hierarchical structures, suggesting a project based structure where the working teams establish new forms of cooperation without “formal direction modalities”. The employees, with different profiles, had a complete autonomy and responsibility over their projects. (*Anact, 2015*)

After this historic excursus, it is possible to draw the conclusion that the Hierarchy-free organizations, as they are intended today, are not an innovation. Indeed, as it is possible to see in

the following of this thesis, these organizations are more likely to represent a convergence of multiple organizational theories, movements or isolated episodes, rather than radical innovations. In fact, we can observe that almost all the features characterizing the events or the studies identified above in the historical excursus are reflected into the current definition of Hierarchy-Free forms of Organizations.

Thus, the phenomenon which is objective of this thesis can be more considered as a “catalyzer”. Indeed, “it catalyzes the desires, authorizes the individuals to share their intimate conviction and mobilizes them towards the change. Without creating practices or models that do not have precursors, the “Entreprise Libérée” conveys the desire of a social body to change the traditional, “institutionalized” model of organization.” (Bismuth, 2016)

In the image below, a complete picture of the historical excursus is provided. All the dots in light blue represent the isolated organizational episodes that have manifested until 1945. Instead, all the dots in red, represents academic/research studies and theories focusing on specific aspects that characterize the current forms of Hierarchy-Free organizations. The convergent shape of this “timeline” represents the idea that the described predecessors have directly or indirectly inspired the current forms of Hierarchy-Free organizations.

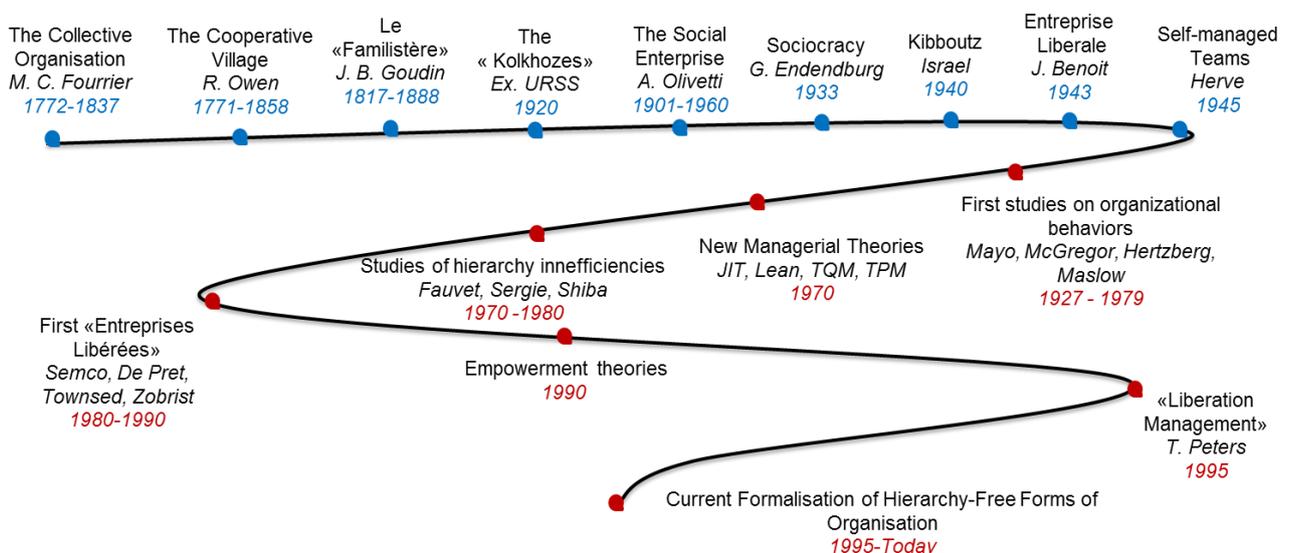


Figure 1.2 The historical excursus

2 THE TRADITIONAL HIERARCHICAL MODEL

Before starting to enter in the detail of Hierarchy-Free organizational models, it is relevant to better define the concept of traditional hierarchical models for several reasons:

- It will first of all facilitate the understanding of the Hierarchy-Free forms of organizations, that usually arise in contrast to the more traditional and ordinary models;
- It will allow to approach this study in a neutral manner. The Hierarchy-Free movements usually paint the hierarchy with negative connotations, describing them as burdens that companies should get rid of. However, the organizations that decide to put in place a hierarchical organizational structure have their reasons to do that; thus, understanding what we can call the “reasons for being” of hierarchies will allow to have a more comprehensive point of view taking into account different perspectives;
- To underline also some of the main limits of these organizations. Understand these limits will introduce the triggers that usually drive the birth of Hierarchy-Free Organizations.

2.1 DEFINITION OF A HIERARCHIC ORGANIZATION

A Hierarchy is a pyramidal organization in which each level corresponds to different degrees of authority, exerted by the upward managerial entity on the one on the level just below, that could be another managerial entity or an operational one. On every level, people do not depend one on each other. All these hierarchical relations constitute the company hierarchy. (*Mintzberg, 1995*)

Usually Hierarchical traditional organizations are characterized by (Mintzberg et al, 1995):

- Formalization of work;
- Culture of rules and procedures;
- Power centralization;
- Functional departments, with functional lines that go all the way to the top, allowing top management to maintain centralized control;
- Job specialization (Driven by the formalization of work and the functional structure);

- Culture of control. In particular, the control in these vertical organizations is more effective in respect to the flat ones, because every manager has generally a more restricted control scope of employees.

To progress with the definition of these forms of organizations, but also to understand the logic at the basis of their implementation, it is interesting to synthesize part of the work of Henri Fayol (1841 – 1925). In particular, he studied the Directive Function (*fonction administrative* in French), which, according to him, can be deployed in five sub functions (Bartezzaghi, 2010) :

- **Planning**, in order to look forward, define objectives and the action plan to achieve them;
- **Organization**, in order to manage the resources necessary to achieve the company objectives;
- **Command**, in order to manage the personnel;
- **Coordination**, in order to harmonize the activities to assure the functioning of the company;
- **Control**, in order to verify that the operational levels follow the orders imposed.

It is interesting to notice that these five sub-functions can be applied not only to the top levels of the company, but also to the relations between each hierarchical level and the inferior one.

Fayol elaborated also fourteen principles that laid the basis of modern hierarchical organizations. In the following, the main six ones are presented (Bartezzaghi, 2010):

- **Division of work:** work and responsibilities must be divided among employees. In particular, there is a horizontal specialization, to describe how the work is divided among different working positions or functions, and vertical specialization, to describe the different degree of autonomy at various hierarchy levels.
- **Unity of command:** “Every employee should receive orders from a single hierarchical superior”.
- **Unity of direction:** “There must be only one boss and only one program for all the activities oriented to achievement of the same objective”
- **Scalar principle:** It is necessary to graduate responsibilities at different levels of the hierarchic structure. This principle distributes the organizational units of the company on multiple levels, and defines the relational links between all the units.
- **Span of control:** A hierarchical responsible has to control a limited number of people in order not to incur in coordination or communication problems.

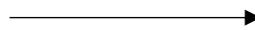
- **Line and Staff:** There are two different types of Organizational units inside the company structure:
 - o *Line*, which are all the unities in charge of the implementation and the operationalization of the business of the company. These unities are linked by hierarchical relations;
 - o *Staff*, which are instead in charge of supporting other entities, providing specialist competencies. These unities do not have hierarchical relations with line unites.

Finally, to complete this definition of hierarchy, it can be relevant to underline the differences between the main features of these traditional organizations described before, and the organizations that implement more innovative managerial and organizational practices. This perspective can be a first general introduction to some features of Hierarchy-Free Organization. Hereunder, a schematic synthesis (Arnaud et al., 2015).

Hierarchical Organizations

New forms of Organization

Centralisation of Power



Decentralisation and Delegation of power

Specialization



Job Enrichment and Enlargement

Functioning in Silos



Functioning in Project Mode

Culture of Control



Valorisation of Individual Responsibility

Culture of Rules



Culture of Autonomy, Risk and Initiative

2.2 WHY HIERARCHICAL ORGANIZATIONS STILL ARISE AND PERSIST?

The answer to this question will contribute to understand what are the drivers that lead most of the companies to be structured in a hierarchical manner and why they remain like this. What are the explicit and implicit reasons? In which condition these organizations perform better? The answers to these questions are articulated in two clusters: Psychological Reasons and Pragmatic Reasons (Leavitt, 2005).

2.2.1 Pragmatic Reasons (for which Hierarchical Organizations arise)

There are four clusters of reasons for which Hierarchical organizations arise, according to a pragmatic perspective. These clusters are explored below:

- **Efficiency:** The hierarchical form of organization is efficient in managing big and complex organizations but also to solve complex tasks. Even if problems can arise, linked for instance to the communication issues, the delays and dehumanization, hierarchies are the form of organization that also historically have allowed to complete important, complex and big jobs. *“Hierarchies are sensible tools for simplifying complicated problems”*. In a way, it is possible to consider Hierarchies as a reflection on organizations of our common brain-approach in solving tasks. Indeed, when we have to plan a vacation, build a house or a car, our common approach is to divide the task in logical blocks, and proceed to solve them separately, from the most important ones to the least relevant. This logic is purely hierarchical and can be seen replicated in many organizations. *“The hierarchical process is just common sensible: We think hierarchy, but we don’t think about hierarchy”*.
- **Size:** Little start-ups can be assembled in different type of ways, often in ways that are more productive and fulfilling than hierarchies. Little organizations can be very flexible. But over time, and with increasing size, hierarchies are more likely to emerge. Indeed *“Increased size is likely to be accompanied by increased complexity and hierarchies are excellent mechanisms for coping with complexity [...] they help keep the whole expanding collection of people and tasks in a reasonably orderly state.”* This is possible thanks to tighter controls, specialized

roles and regular routines, along with differentiation of authority, rank, rewards and status, typical features of a hierarchical organization.

- **Age:** Empirically it has been observed that also small organizations that remain small but that grew older result in implementing hierarchies. The reason behind is that *“Hierarchies are a parsimonious way of coping with tensions and of effectively using people’s energies”*. Indeed, over time egalitarian organizations tend to become unstable due to issues of fairness and internal interpersonal conflicts. Hierarchies help to establish an order also in this case.
- **External pressures:** *“Our larger environments are not just sleeping dogs, lying inert and irrelevant. There are packs of snarling pit bulls out there, growling at organizations, pressuring them, demanding that they live by their societies’ codes and rules”*.

These environmental pressures can be:

- Governmental controls
- Financial markets
- Takeover predators
- Old competitors
- New competitors
- Managerial and technological innovations

In order to relate with such forces, sooner or later growing organizations will be driven toward hierarchy and toward internal control systems that will ease the creation of a solid and efficient organization to cope with those threats.

Strictly linked to the Hierarchical organizational form, it is the bureaucracy. Indeed, especially in administrative and public sectors, the hierarchical system make a wide use of bureaucratic procedures. According to Weber, the reasons for which this kind of systems arise combined with hierarchy are that they represent the perfect organizational solution for the exercise of legal power and they are also a solution which is technically superior to any other managerial form. Indeed, it grants the achievement of the aims provided, the rationality of choices and the implementation of decisions taken (Bartezzaghi, 2010). In particular, the features of a bureaucracy according to Weber can be summarized as (Bartezzaghi, 2010):

- **Principle of competence:** Duties and power are defined by administrative rules and codes;

- **Hierarchy of the offices:** Creation of a rigid system of control relationships among the offices;
- **A system of general rules** in order to grant uniformity, continuity and stability in their application;
- **Impersonality** in the management of internal and external relationship, avoiding the interference of feeling on the work practices;
- **Full time professions**, with a remuneration fixed based on performances and age.

2.2.2 Psychological Reasons (for which Hierarchical Organizations persist)

The reasons for which Hierarchical Organization persist are:

- Hierarchical Organizations serve the egoistical leadership and the autocratic decision-making. Thus, company leaders can be incentivized to maintain a vertical organization to egoistically preserve their power.
- Even if it is frequent that the personnel of the organization complains about hierarchical procedures, control and freedom limitation, this form of organization allows them to gain their remuneration. Thus, it often happens that the fear of losing the capital that permits them to maintain their life and family is bigger than the feeling of satisfaction or frustration matured on the workplace. Consequently, this generates a strong resistance to change.
- There is a social preconception for which being admitted into a hierarchical organization or progress inside its pyramidal structure, is an important way of auto-realization. It is commonly perceived that accomplishment and personal satisfaction is strictly linked with the belonging and the placement in this kind of entities. In a sort of way Hierarchies “*Provide markers of upward progress*”. This belief is also linked to the conviction that the notion of success deserves to be one’s primary goal in life.
- The position into a hierarchy helps people to define a place in the world. It is a sort of label. The professional degree into a pyramidal structure can be a measure for individuals in order to compare with peers, or with themselves as well. The elimination from the hierarchy, with the consequent loss of the job definition, can create self-esteem problems. Indeed, not having a formal position can mature the feeling of rootlessness and powerlessness. Thus, even if employees can complain regarding their working conditions, they will still be attached

to the structure of the company because it generates orders in their life. In particular, for some cultures, for instance the American one, jobs are more than an indicator of who we are, but they are really a focus of life. In 2000, Americans worked 350 hours per year more than Europeans did.

- Big and structured hierarchies grant people with the illusion of security and resistance.
- They fulfill the need to be needed. Some leaders understand that although hierarchies demand for conformity and frustrate consequently the human tension towards freedom, they simultaneously satisfy needs for structure and membership.
- Hierarchies fulfill also human need to be evaluated. Although people naturally tends to avoid and despise evaluation, because of the pressure and the fear of receiving a negative feedback that can affect self-esteem, they still have achievement needs. Especially in men, the competition needs and the satisfaction that can derive from it are physiological. “Our egos want report cards”. Therefore, employees need the evaluation embedded in the hierarchic systems. The only thing that can be worse of receiving a negative evaluation is not been evaluated at all.
- Hierarchies fit our individual-oriented society. This statement can sound weird; because it happens frequently that hierarchy ask for conformity to the people belonging to it. Conformity to rules and standards, conformity on the dressing codes, conformity to the company culture etc. *“But anyway they provide an ideal arena for individual achievement because they make conformity nearly a precondition for achievement. With few exceptions, individuals must first conform to community standards before being permitted to show their individual stuff. [...] It’s the best individual players – the ones who conform to the common standards – whom we admire most.”*

2.3 WHAT ARE THE LIMITS OF HIERARCHIES?

As stated in the introduction of this chapter, studying the limits of Hierarchical Organizations will help to identify and better understand the first drivers that trigger the “liberation” processes. Also in this case, it is possible to identify two clusters of reasons for which “*we don’t like hierarchies*” (Leavitt, 2005): a psychological and a pragmatic one.

2.3.1 Pragmatic Reasons

These reasons include that:

- Hierarchies are inefficient from a communicational point of view. They generate “snowballs” of misinformation. They grow, distort and accelerate misunderstanding around an information as it rolls down or up from the hierarchical pyramid.
- They are slow, unresponsive and inflexible. The culture of control associated with hierarchies fosters the probability that the focus of the work could be too unbalanced on control routines versus the satisfaction of the client.
- They violate democratic values. The importance of the boss and the weight of his decision clashes with the value of democracy, generating often feeling of frustration and need of autonomy. In addition, the long processes of approval and the general mistrust towards subordinates, preempts proactive initiatives and creativity.
- They also have drawbacks for managers. The scalar principle forces manager with plenty of power and responsibility to delegate it to subordinates. The risk from the point of view of a manager is that subordinates could not use the responsibility granted to them in a proper way, they can abuse of it, or even worse use it against the manager themselves. This traditional distrusting perspective at his extreme can infect leaders with mental illness linked with the obsessive preservation of power.
- Furthermore, the excessive distance between the top levels of the pyramid, who are the decision owners, and the operational ones, can lead to uncoherent decisions. Thinkers and doers are not the same individual. Thus, often managers are too far from the reality of the job they are supervising and the lack or the distortion of communication with operational employees could generate incorrect pictures of situations.
- Given that from the perspective of operational employees superiors often own the responsibility of important decisions, it is possible that the employees at the lower levels of the pyramid maturate an inertia for which they avoid responsibilities with a consequent negative impact on their judgement and common sense capabilities.
- Finally, the functional organization of hierarchies naturally generates specialization, but disincentives job enlargement. Employees develop a solid expertise on their specific job, but necessarily are less capable of having a holistic thinking because they do not know the functioning of other departments.

It is interesting also to mention the study of Robert Merton in relation to bureaucracy, as it has been described in chapter 2.2.1. In particular, Merton studied the functioning of bureaucracy distinguishing between “Manifested functions” (referred to manifested consequences of bureaucracy on the organization) and “latent functions” (referred to ignored consequences of bureaucracy on the organization). According to his analysis, Merton identified perverse dynamics in bureaucratic systems, linked to the fact that the excessive specialization of employees generates a lack of flexibility in the application of norms with consequent frustration and non-achievement of objectives. The effort dedicated to discipline and respect of rules generates a conformism that makes the rule the final objective, and not the organizational objectives themselves. This behavior is called “Inversione mezzi-fini” (In English: Inversion of means and objectives). Moreover, Merton states that this harmful dynamic tends to degenerate when employees have to deal with exceptional and non-standard cases, because they expand the difficulties, fearing the non-respect of norms. This fear leads to the generation of new norms to defend the actions of the employees that have to deal with the exceptional cases, triggering off a vicious circle (Bartezzaghi, 2010). Necessarily this inefficient mechanism is a limit of hierarchical bureaucratic organizations, because it makes the organization focus on the procedures and the control, instead of taking care of the client and the business objectives.

2.3.2 Psychological Reasons

On the other hand, the psychological reasons that generate un-satisfaction toward hierarchies are:

- Hierarchies generate child-like dependency: employees in these forms of organization are addicted to the power and the protection provided, but in the same time, they feel a sensation of un-satisfaction generated by the need of freedom and autonomy. As kids, we were dependent from our parents, even if we did not like it. *“Love and hate, anger and gratitude, a wish for release coupled with thankfulness that the key relationship is still intact”*. This ambivalence generated by the fact that we hate hierarchies because they force us to obey and to be dependent, but simultaneously we need them because they feed our security needs is a source of frustration.

- They mistreat us: they always check on our actions, they discourage our imagination; they quash creativity, forcing us to routines.
- They block warm interpersonal relationships. In particular, employees are generally oriented to create and belong to warm and cozy groups, to fulfill their social needs. But hierarchies stifle these kind of social interactions. Indeed, even if teamwork is always preached and encouraged, they incentivize competition for individual stardom also inside the team through mechanism of promotions and incentives, generating interpersonal tensions.
- They can breed greed and immorality. For definition, Hierarchies give great power to restricted elites of people. This power is likely to corrupt, attracting for its promises of quick and easy wealth.

2.4 CONCLUSIONS

As seen, hierarchies are pyramidal forms of organization that tend to centralize power, work in silos, favor the specialization and a culture of control, rules and procedures. They still arise and are present in organization mainly due to their efficiency in managing big and complex tasks. In addition, hierarchies reflect our mindset in solving problems, and they are well installed in the functioning of our society. On the contrary, they have several limits, which are the main causes of un-satisfaction and consequently of arise of Hierarchy-Free. On one hand, they incentivize several inefficiencies due to the communication and the distance between decision-makers and doers; they imply important dynamic of controls that generate costs, stifle creativity and initiative taking. On the other hand, they de-humanize individuals within the organization: they block warm interpersonal relationship, they are not democratic and they can generate greed and immorality. It is then possible to conclude that still Hierarchies have their reason of being, and their presence into organizations is logical. Nevertheless, they have many limits, which over time have catalyzed an important desire of change and “liberation”. This desire is at the foundation of the reaction of many organizations into the implementation of Hierarchy-Free, which are the core subject of this thesis, and that will be systematically explored in the following chapter.

3 THE HIERARCHY-FREE FORMS OF ORGANIZATION

This chapter is the core of the thesis. As stated into the introduction, the objective here is to provide a comprehensive and general picture of these new forms of organization. In the following, for a matter of simplicity, I will refer to Hierarchy-Free Forms of Organization simply as Hierarchy-Free.

In particular, five segments have been identified to understand and study the phenomenon in a systematic way:

- 1) **The Approaches:** What are the main movements that currently can be associated with the conceptual category of Hierarchy-Free Organizations?
- 2) **The Drivers:** What are the triggers that drive an organization to be born or to transform into a Hierarchy-Free?
- 3) **The Features:** What makes Hierarchy-Free Organizations different compared to the traditional organizational models?
- 4) **The Implementation Process:** How these forms of organization are generally implemented? Which change management practices to consider?
- 5) **The Results:** What are the positive and negative implications identified after the implementation of Hierarchy-Free?

It is important to underline that this analysis is an effort to represent a model that can identify Hierarchy-Free. As every model, it is just a proxy of reality: obviously, there is a not precise and univocal definition of Hierarchy-Free; every company is a specific case that travels over his liberation pattern in his personalized way. Nevertheless, several elements in common arise from the study of the existing literature and from the cases observed. The effort here has been to gather these elements together and describe them in an ordered and meaningful representation.

Finally, the last observation concerns the vertical profundity of each subject described in this chapter. For instance, topics such as motivation, organizational design and change management practices discussed in relation with Hierarchy-Free, could be the objective of the analysis of entire thesis or dissertations. Indeed, they are large concepts that can be studied from different perspectives and involve multiple categories of expertise: Organization, Sociology, Psychology etc... In this thesis, the level of vertical profundity is coherent with the objective: understand Hierarchy-

Free movements from a systematic and general perspective. Thus, completeness has been necessarily preferred in respect to detail.

3.1 THE APPROACHES

As a starting point, it is natural to try to provide a formal definition of Hierarchy-Free. Given that this phenomenon is heterogeneous, there are multiple definitions developed according to the studies or the working experiences of academics or professionals. Each one of these authors stresses some particular aspects of their conception of Hierarchy-Free compared to the others, but anyway all of them have a set of common characteristics that define them as belonging to the Hierarchy-Free organizations.

The first author to be proposed is Isaac Getz, a French doctor in Psychology and Management and professor at ESCP Europe. Probably his study concerning Hierarchy-Free organizations, that he calls “Entreprises Libérées” (“Liberated Companies” in English) is the most complete among the five that will be proposed. Indeed, it is based on the observation and analysis of more than two hundreds companies all over the world, over a period of more than five years.

3.1.1 L’Entreprise Libérée



Figure 3.1 Isaac Getz

Doctor in Management and Psychology, Professor at ESCP Europe
2009

The formal definition of “Entreprise Libérée”, that he calls F-Forms (Getz, 2009) is :

“An organizational form in which employees, have complete freedom and responsibility to take actions that they, not their bosses, decide are best”.

At the core of this concept, there is a simple idea: all the human resources are important and responsible to create richness in the company. It is then necessary to put the human being at the heart of the activities and open up to employees the possibilities to take initiatives. According to I. Getz, this modality can work just if employees consider themselves as *“Intrinsically equal, without neither hierarchy, nor labels, nor privileges and who are able to motivate themselves autonomously.”* In particular, as a theoretical background for his work, Getz draws on the work of (Deci & Ryan, 2000) and on its conclusion that human beings are self-motivated by three universal needs:

- 1) Relatedness, i.e. being treated with consideration,
- 2) Competence, i.e. gaining mastery in the work,
- 3) Autonomy, i.e. being able to self-direct.

The company should set up an organization in which these three universal values are constantly nourished, in order to generate the auto-motivation of employees. Getz emphasizes the role of the leader in putting in place such an organization. From the perspective of Isaac Getz, liberating companies is *“Another way to create motivation, or to say it better to create auto-motivation, that consists in acting on the environment and not on people. (...)”*. He considers that the classic pyramidal organization, suffers of an excess of bureaucratic processes, reporting, procedures and all kind of control mechanisms that hamper employees. In this case he defines this kind of companies as *“Entreprises comment”* (The “how companies” in English) because the working procedures are imposed to employees and the innovation responsibility is confined to management and, in most of the companies, to R&D, Quality services or Marketing. The entrepreneurial capabilities of other actors of the company are then braked. The direct consequences are then demotivation, worse performances and worse innovation capabilities.

The entreprise libérée promises to boost the performance of the company thanks to the innovations proposed by the collective intelligence, the employees find themselves “free” from hierarchy and control.

The objective is to give to employees the responsibility of the results of their job, giving them the competences of autonomously organizing themselves. In this case I. Getz defines this kind of organization as *“Entreprises pourquoi”* (The “why companies” in English) because what matters is the objective and not the way to achieve it.

According to I. Getz, this new posture grants better company performances and an incontestable employee engagement. *“Every employee can hike up ambitious and motivated”*.

3.1.2 The Holacracy



Figure 3.2 Brian Robertson

Entrepreneur and Organization-Builder. CEO of HolacracyOne, LLC.
2001

Brian Robertson has developed the Holocratic system in 2001 in his software producing company (Ternary Software). In order to build this model Robertson has been inspired by cybernetic theories, by sociocracy and by lean management. Holacracy has been adopted by several companies such as Zappos, Castorama, Decathlon, Danone ecc... From the Greek etymology, Holacracy means power (kratos) of the totality (holos). In other words, according to Robertson an Holacracy is:

*“A group of elements auto-managed functioning as autonomous entities but also parts of a whole.
All these entities are driven by the “Reason of being” of the company.”*

In the vision of Robertson, the company is compared to an organization conceived as a living being, where every organizational unit is a cell belonging to an organism. Its objective is to make emerge the collective intelligence and its creativity potential. The pyramidal structure is suppressed as well. In this organization, Robertson does not speak about Jobs, but about roles attributed to employees.

In the following, a synthesis of the main characteristics of the Holocratic model (ESC Clermont, 2016):

- **Organization in Circles:** The organization is divided in circles. These circles are constituted of different services, which have common missions. There are 3 typologies of circles:
 - o The strategic circle, regrouping the people capable of contributing to the strategic vision of the company. This circle has a biannual meeting;
 - o The governance circle, which is responsible of the working methods rigorously formalized in a “Constitution”. This circle meets once per month;
 - o The operation circle, which focus on projects and current actions. It meets once per week.
- **Auto-organization of Circles:** Each circle is auto-organized and designates internally the roles of the employees belonging to it. The circles are animated by some leaders who are elected collectively through a poll. Anyway, auto-organization does not mean auto-management, because it is the strategic circle who is responsible of defining the objectives for the operation circles.
- **The double links:** In the strategic circle it is designated a *link representative* for each operational circle, and in each operation circle a *link leader* is chosen as well. The link leader has the role of the animator of the operation circle and he represents the interests of his circle during the exchange with the link representative. The link leader is also responsible of the production of results. On the other hand, the link representative in the strategic circle is responsible of representing the operation circle interests in the strategic circle meetings. Observing this organization, we can assess that the hierarchy is not completely eliminated, because in the end there are always managers validating the decisions of the group. The difference with traditional hierarchies is that in this case the leaders are elected by the communities they animate and the hierarchy is in any case lighter.
- **Tension reduction:** Every meeting in Holacracies has the priority to identify and reduce the tensions within each circle. The tension resolution is usually driven by the force of proposition of employees.
- **Collective decision participation:** Even if in the end the most important decisions are taken by the strategic circle, the aim of Holacracy is to “make emerge the essence, the innovation capabilities and the collective potential of the organization, liberating it from fears and inhibitions.” Everybody in the organization is implied in the decision process: shareholders, leaders and employees. In particular, leaders have the objective of supporting and facilitating the decision-making of employees, who are the most incentivized to solve the

tensions of their roles. In addition, thanks to the double link mechanism, the interests of employees are remounted and considered by every party in the company.

3.1.3 The Sociocracy



Figure 3.3 Gerard Endenburg

Engineer and CEO of Endenburg Elektrotechnik
1988

Sociocracy, is an organizational model theorized by Gérard Endenburg. To build this model he combined his competencies in management and his knowledge of theories of systems, cybernetics and biofeedback. As it will be possible to notice due to the many similarities with Holacracy, this theory heavily inspired the work of Robertson. Sociocracy is based on four principles concerning the governance of the organization and the decision-making (ESC Clermont, 2016):

- **The circles:** Semi-autonomous structures that make decisions according to their activity domain. Independently from the mission and the vision of the organization, each circle defines its own vision and mission.
- **The double link:** The functioning of the double link in this case is the same as the one described in the Holacracy case.
- **Election without candidates:** the assignation of a person to one function or the delegation of one task is based on consensus. Thus, the decision is taken in an open and regulated discussion.
- **Decision-making via consent:** Sociocracy distinguishes two types of decisions: the politic decisions (that affect the functioning of the organizations) and the operational ones (that concern the daily work). For simplicity reasons, only the political decisions are taken via

consent. In the same time, It is also possible to decide which decisions can usually be undertaken without necessarily involve a consent. It is important to underline that a decision taken by consent is different compared to a decision taken by consensus. Indeed, a decision by consent requires that the totality of the participants agrees with the decision.

The decision-making via consent implies that every kind of objection must be taken into account and discussed until it is solved or retired. This means that the exploration of options is encouraged as well as the quality of objection themselves. In addition, as in the Holacracy, the circles and the double link mechanism favors the dialogue, the exchange and consequently also the team creativity capacities.

Sociocracy incentivizes two important values at the same time: the individualism and the collectivism. Indeed, it recognizes the “living” and systemic functioning of the social life in companies, and the fact that the collectivity needs the power of the individuals and vice versa. The human being is at the center of this organization, and this condition should allow every employee to express his talent, bringing his valuable contribution both as a single that as a member of a community.

3.1.4 The Jan Carlzon Model



Figure 3.4 Jan Carlzon

Ex-CEO of Scandinavian Airlines System
1996

Jan Carlzon has been chosen as CEO of SAS in 1981, when it counted 12 000 employees and a critical financial and economic situation. He reformed the organization of the Scandinavian group SAS following the principles presented below (ESC Clermont, 2016).

- The client is at the center and he guides all the actions. He is at the top of the pyramid, followed by the employees with whom the client is directly in contact. The top of the pyramid does not correspond anymore to the top of the hierarchy. The organizational structure becomes then an inversed pyramid. In addition, Carlzon reduced also the number of intermediate hierarchical layers.
- The basis of this model is the delegation of responsibility: managers confer a big part of autonomy, responsibility and trust to each team member. Consequently, employees needed to develop the competences necessary to hold this autonomy, which is the reason why Carlzon put in place many training programs.
- Moreover, Carlzon understood that the most important resource is the client and the market. Innovation and solutions can come from the exchange with clients. Thus, he implemented plenty of initiatives carried out in collaboration with clients, and instead of a vertical hierarchy, he put in place a horizontal decompartmentalisation, close to the front-end.
- At the heart of his model, the working values are dignity, politeness, trust and responsibility. He firmly believed that human being is ready to engage himself in order to take initiatives and responsibilities, progressing in a flourishing context.
- Finally, another conviction drove the organizational changes Carlzon implemented: human-being today is generally well-educated, autonomous and responsible. It is sufficient to provide him with the suitable means and he can liberate his energy and creativity.

3.1.5 Vineet Nayar Model



Figure 3.5 Vineet Nayar

CEO of HCL Technologies
2005

Vineet Nayar has been elected CEO of HCL Technologies, in 2005. Since the beginning he implemented several managerial innovations that lead the company to have 6 billion of euros of turnover in 2015, with 106 107 employees present in 31 countries. The activation of these principles granted to HCL an x5 multiplication of its number of clients, an increase of clients size and a 70 % increase of client satisfaction. (ESC Clermont, 2016).

As Jan Carlzon, also Nayar aimed to the pyramid inversion and the hierarchy reduction in order to allow to each employee to express his potential. In the following, a synthesis of the model of Vineet Nayar.

- First, he started to conduct a diagnosis of HCL organization before his arrival, eliminating all kind of inefficiencies. In general, according to Nayar is always important to identify and face the inefficiencies as they emerge.
- He changed the role of managers, training them to being more humble and to support employees, who are at the core of the company, and at the top of the pyramid.
- He set the transparency as a basic principle, thanks to the implementation of several communication tools. In particular, he implemented a sophisticated and functional company intranet that allows employees to better communicate and participate to the decision-making.
- He incentivized employees to dedicate part of their working schedule to project and activities with social or environmental aims. For example, HCL ran several projects in order to help Indian villages for causes such as water, education, health and nutrition.

- In the model of Vineet Nayar, employees are valued to be even more important than clients are. The company “takes care” of its employees, recreating an environment of trust, stimulating employees to propose their ideas, to innovate and to be more responsible.

3.1.6 The Blue Paradigm



Figure 3.6 Frederic Laloux

Executive advisor, coach and
facilitator
2016

Frederic Laloux is currently working as an executive advisor, coach and facilitator on organizational subjects. During ten years as a consultant in Mckinsey, he has matured an important experience concerning organizations, which led him to conduct some autonomous studies on several companies in different industries, twelve in particular depths. The results of his studies and reflections are described in his book “Reinventing Organizations” which has been published in 2016, from which the theory explained in the following has been synthetized. The book has been translated in fifteen languages and has sold more than 100 000 copies.

According to Laloux, a new managerial paradigm is currently emerging in organizations, which is leading many leaders to rethink the way organizations are built. This tendency has born from a general disengagement on the workplace, not only on the operational layers but also at the top levels of the hierarchical pyramids. In particular, employees feel exhausted of their job, they are tired of endless meetings, politics, infighting and bureaucracy: they “*show up at work with bodies but not with hearts*”. Summarizing, this disengagement is mainly driven by the fact that people do not find a meaning in their job. Laloux has studied several organizations in different industries and of different sizes, which have been pushed by this general disengagement to change their

organizational form. Even if these organizations are based in different countries, and the leaders driving the reinvention do not know each other, they show several similarities in their new conception of organizations. The general disengagement and the fact that these new forms of organization are spontaneously emerging in different locations, are signs that something old is dying and a new trend is emerging.

To support this thesis of a new managerial paradigm emerging, Laloux enlarges the scope, sustaining that generational switches not only regarding the management perspective, but also the political, economic or the scientific ones, have taken place already several times in the past. In his book, he focuses on the switch of organizational paradigms during the history, and he develops a model according to which social organizations have passed through five paradigms, from their first apparition until today. The Hierarchy-Free forms of organization belong to the fifth paradigm. Each stage is represented by a color, it has some specific features and is characterized by some breakthrough ideas that make each stage an evolution compared to the previous one. The five stages are represented in the image below and synthetized in the following.

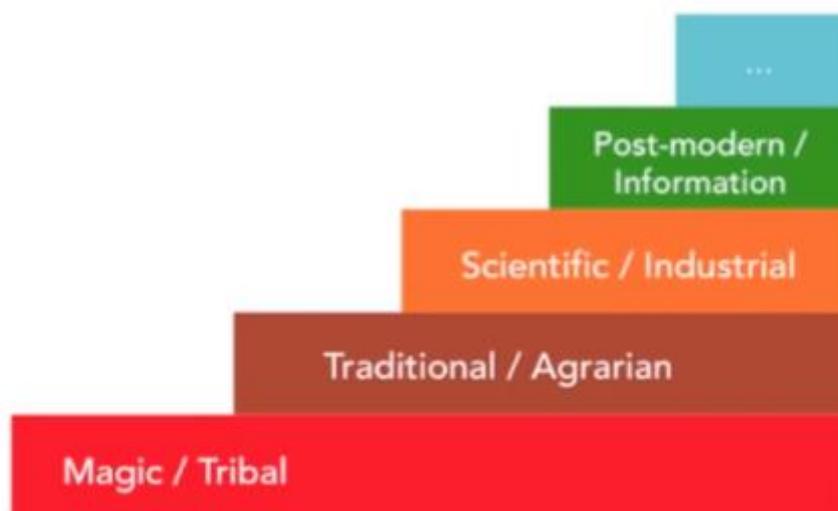


Figure 3.7 The five Organizational Paradigms according to Laloux

The Red Paradigm

This paradigm is also called Magic/Tribal. Powerful and charismatic leaders commanding through authority the organizations in this stage. These leaders are able to control chaos inspiring fear and respect. In these first forms of organization, there is a net division and specialization of labor. Some

examples of these organizations are Mafia, street Gangs and mercenary Militias. The main limit of these organizations is related to the fact that they operate just setting short-term goals, without conceiving any form of future evolution linked to long term objectives or strategies.

The Amber Paradigm

This paradigm is called Traditional/Agrarian. During this stage, the first forms of hierarchical structures emerge. These structures, which are characterized by some specific roles and are regulated by norms and control, result to be more stable compared to the organizations belonging to the red paradigm. In particular, their evolution is embodied by three breakthrough ideas that distinguish them by the former organizations: the formulation of long-term objectives, the implementation of processes and procedures and the definition of formal roles. These general principles allow the Traditional/Agrarian organizations to cope with more complex and difficult tasks. Examples of these organizations are governments, public schools but also traditional churches. Their limit can be identified with the lack of adaptability to the environment, generated by the excessive rigidity deriving by fixed norms and procedures.

The Orange Paradigm

The name of this paradigm is Scientific/Industrial. These organizations are born during the American and French revolutions, and they led to meritocratic and not status-based organizations, in opposition to organizations belonging to the Amber Paradigm. These organizations began to operate with a focus on profit and give birth consequently to the first forms of competition. The evolution in this case is carried out by three breakthrough ideas: the orientation toward innovation, with for example the implementation of research and development functions; the accountability, which allows to measure the achievement of objectives through the definition and the monitoring of KPIs; and the meritocracy: contrary to what happened before, anybody can progress into the organization because what is valued is the value of the job, not the status. These organizations are for instance all the large and international corporations. The organizations belonging to this stage manifested employees' disengagement at work.

The Green Paradigm

This paradigm can also be called the Post-modern/Information stage. As a reaction to the disengagement of the organizations of the Orange Paradigm, this stage is an evolution because

allow employees to find more meaning in their job. Indeed, employees during this stage are generally more engaged. The hierarchy is still present, but the focus is no more on an internal perspective, but on an external one, on the client satisfaction. Thus, three breakthrough ideas define this stage: an attention and a balance between the stakeholders' needs, and not only the shareholders ones; a focus on the culture of the company and his values over the strategy; and a general empowerment of employees, who begin to have more responsibility and competencies. The companies belonging to this phase are for instance Zappos, Ben & Jerry or Starbucks. Nevertheless, also in this case an important limit exists: the hierarchy that limits the individual autonomy. This limit is the main driver that triggered the birth of the organizations belonging to the last, current paradigm: the Blue Paradigm.

The Blue Paradigm

As happened four times in the past, according to Laloux nowadays we are assisting to the development of a fifth stage. This paradigm reacts to the previous one trying to eliminate the disengagement, the rigidity and the de-humanization, which are still generated by the Hierarchy typical of the former stages. The organizations that are currently emerging try to overcome these problems with the elimination or the lightening of hierarchical structures and a consequent distribution of the decision-making. The organizations belonging to this paradigm are the so-called Hierarchy-Free, and are the subject of this thesis. They will be described and analyzed into detail starting from the third chapter, involving the studies and the experience of others academics and professional who, as Laloux, have interested in this phenomenon. Anyway, to complete the description of the Laloux model, the three breakthrough ideas that define this stage and make it an evolution compared to the previous one are:

- Wholeness (Described in chapter 3.3.2.5)
- Self-Management (Described in chapter 3.3.1.2)
- Evolutionary purpose (Described in chapter 3.3.2.6).

3.2 THE DRIVERS

In this chapter, the aim is to understand what are the drivers that trigger an organization to eliminate, or at least reduce, hierarchical levels, and to assume the form of a Hierarchy-Free, as it will be described later on in this thesis. In the following, a list of reasons that can drive the implementation of a Hierarchy-Free will be provided. These reasons can be clustered in four big categories:

- 1) Reaction to a crisis;
- 2) Will to solve the psychosocial problems of employees;
- 3) Tension towards differentiation;
- 4) Reaction to an “inefficient” organization.

3.2.1 Reaction to a crisis

According to the studies and the observations of Isaac Getz over a sample of more than 200 companies (Getz, 2012), it is frequent to identify cases of companies implementing a hierarchy-free organization in reaction to a crisis. A first example is Usocome, the French subsidiary of a German multinational called SEW. Due to the crisis in the electric motors industry in 2008, the company experienced a decrease of 10% of turnover. This decrease stabilized at -30% in 2009. From July 2009, Munzenhunter, the CEO of Usocome, implemented Hierarchy-Free organizational practices managing not only to avoid to fire part of the personnel, but also to restore the financial stability of the company. In the same way, the French company Favi has been able to maintain a double-digit positive cash flow after the crisis of the automobile equipment industry. Another example is the Finnish company Sol, in the market of cleaning services. Even if in 2011 many of its clients, including hotels and luxe cruise-liners have been touched by crisis, Sol continued to maintain higher margins compared to the sector average, thanks to his Hierarchy-Free organization. A similar situation happened in the case of Richard’s Group, an American independent advertising agency.

More precisely, what are the similarities among these companies? All of them, as their competitors, experienced a decrease of their orders. But they did not increase the controls, they understood that

the crisis has an impact not only on the economic situation, but also on the situation of employees, accentuating their fundamental needs. In front of a crisis, employees want:

- More trust and consideration, caused by the uncertain future of the company and the bias of information;
- More competences, in order to manage new types of orders compensating the lack of the usual ones;
- More autonomy and freedom of expression in order to bring their own solutions to the crisis.

The consequent answers of the companies listed above has been to leverage and nurture these fundamental needs: Intrinsic equality, personal development and auto-direction of employees. In addition, the “liberation” from hierarchy has granted an increase of flexibility and agility that is an important asset to manage crisis. This form of reaction is radically different if compared to other forms of crisis management.

3.2.2 Psychosocial problems of employees

Psychosocial problems among employees are another important element that can trigger as a solution the implementation of Hierarchy-Free. In particular, there are two big categories of these kind of problems that are often mentioned in the literature:

- **Demotivation at work:** According to the study “*State of the Global Workplace: employee engagement insights for business leaders worldwide*” – Gallup, Inc. – 2013 “ 63% of the global workforce is disengaged in their companies, 24% completely disengaged, and only the 13% is actively engaged. In France, this situation is even worse: in 2013, 65% of the French workforce was disengaged, 26% actively disengaged and only the 9 % was actively engaged. In order to furtherly understand the problematic that can foster leaders to adopt a different form of management, it is relevant to define these three categories of workers according to academics (Getz et al. , 2012):

- *Engaged*: Employees that find their job stimulating and do not perceive the working routine as a burden to bear in their lives. They are proactive, they participate to the decision-making and they care about the quality of their work;
 - *Disengaged*: A short and informal definition of this category is “*Tous les employees qui viennent tous les jours au boulot pour... partir*” (In English: All those employees that come to work spending their time just waiting the hour where they will be able to leave). They are exactly the contrary of Engaged: they are passive, they tend to avoid responsibilities and decisions and they do just what is sufficient in order to get the job done.
 - *Actively Disengaged*: Employees not just disengaged at work, but that each day come on the workplace to show their unhappiness, make this category. These employees are not just harmful for the organization because of their inefficiency, but also because they can exert a negative influence on the other categories of employees.
- **Stress at work**: The INRS (Institut national de recherche et de sécurité pour la prévention des accidents du travail et des maladies professionnelles) published a study in 2014 stating that the global cost of stress in France has been between 2 and 3 billion of euros. In particular this study identify a cost of 1,9 billion of euros including those employees that are exposed to stress at least 75% of their working time, while this cost becomes 3 billion of euros if it considers also the employees that are exposed to stress at least 50% of their working time. The sources generating this cost are health expenses, absenteeism, activity cessation and premature death. Obviously, that is an important driver to take into consideration not just for the sake of the organization but also for the employees’ individual health itself.

3.2.3 Tension towards Differentiation

Another factor that it is frequently present in the reflections of CEOs that decide to undertake the Hierarchy-Free pattern, is the need to differentiate in respect to the competition. Especially in all those market with a high intensity of competition, for instance the market of client assistance and call centers. For instance, it is the case of IMA tech, a French company specialist in the client assistance. Inspired by the academic researches on the subject, Cristophe Collignon, CEO of IMA

tech, decided to transform his company in an “Entreprise Libérée”. In particular, according to Collignon “the « liberation » is a mean to differentiate on the market and to bring to clients a much more qualitative than quantitative satisfaction, thanks to an alternative management”. The necessity to liberate the company from hierarchy and to favor the development employees’ creativity is not anymore an utopic concept preached by an altruist leader. It is a process perceived today as essential to the conditions of survival of the company (Guiheneuf et al., 2014).

The driver of differentiation should not be intended just as compared to competitors serving the same market. Indeed, a company can choose to undertake a Hierarchy-Free form also in order to expand its market portfolio (Getz et al., 2012). That is the case of Gore and associates, an American multinational manufacturing company specialized in products deriving from fluoropolymers. Best known as the developer of waterproof, breathable Gore-tex textile, Gore has many of the feature of a Hierarchy-Free organization. In particular, it has always incentivized its employees to combine their competences with other two dimensions: their personal interests and the interest of the company. Gore called this crossover “sweet spot”. The result has been the expansion of Gore business activities in different domains, not necessarily linked with the textile one: it entered for example into the Music, biochemical, aeronautic and wiring industry (Meissonier, 2015).

Finally, another driver that can make leaders desire a Hierarchy-Free form, is the lack of innovation. This is linked to the tension towards differentiation, because in some markets, especially in North America (I.e. the Silicon Valley) innovation is a fundamental driver of differentiation. Where innovation is an important element of competitiveness, companies can then aim to put in place a more agile organization that can facilitate and stimulate the creativity necessary to innovate. As it will be possible to see in chapter 4, it is not a coincidence that most of the hierarchy-free organizations are settled in the United States.

3.2.4 Reaction to an “inefficient” organization

The last cluster, but not the least important and frequent, includes the reasons that triggered the implementation of a Hierarchy-Free in reaction to a slow and excessively bureaucratic organization. As anticipated, these reasons correspond to some of the limits of hierarchical organizations,

described previously in chapter 2.3. In particular, the organizational inefficiencies identified that are often mentioned as driver of “liberation” can be clustered in four categories:

- **Slow decision-making**, generated by the excessive number of hierarchical layers and strict approval procedures.
- **Multiplication of “Bullshit jobs”**. According to David Graeber, Professor of anthropology at the London School of Economics, the tension towards a Hierarchy-Free derives also from a multiplication of what he calls the “Bullshit Jobs” (Graeber, 2015). According to Graeber these jobs are usually present in big bureaucratic organizations, where they bring really low value added. It refers for instance to jobs like the financial director, the administrative director, the human resources consultants and the financial accountants. “These people are in charge of inventing new forms of control, or to evaluate people that at the same time evaluate somebody else”. Furthermore, a vicious circle is installed: the more the organization loose the money, the more it invests into controlling jobs, generating additional loose of money. And in doing so, the organization chokes and limits the jobs that could really bring the value added that could invert the loss of money. The result is that the bureaucratic machine grows to the detriment of useful jobs. “We switched from the management of men from men for men, to the management of money from money for money” (Graeber, 2015).
- **Ineffective HR policies**: In particular, Isaac Getz refers into his studies to an ineffective training or practices to increase the motivation of employees. He states that it is not useful to motivate employees, but instead what really can lead to an increase of motivation is to recreate an environment where employees can motivate themselves (Getz, 2012).
- **Excessive control costs, procedures and reporting mechanisms**. In particular, often the cost of controlling the minority of fraudulent or “rogue” employees (who are on average 3% of the organization staff) is higher than the cost generated by the abuse the control would prevent. (Getz et al. 2012). In general, in many hierarchical organizations the weight assigned to the control functions is too high, generating consequently the suffocation of value added functions (Graeber, 2015).

According to the studies conducted on the literature and on the company cases, every Hierarchy-Free has different triggers of “liberation”. They can start the process just simply in reaction to a crisis, or they could also maturate the decision combining some of the drivers described above. What is interesting to notice is that *“Generally it is the affective experience, more than the rational*

knowledge that plays a triggering role in the action of construction of a Hierarchy-Free organization. (...) The majority of the “liberating” leaders we have studied have been directors in the past; they could not support hierarchy anymore and they quitted it even before knowing what they would have built with their new entity. If they did not know what to do [in terms of organizational forms], they knew for sure what they must not do. (...) Even better, some of the leaders that implemented a Hierarchy-Free, for instance Chaparral Steel, Quad/Graphics, Richard’s Group, Sol and USAA, did not evoke any influence of past models in their process of construction of a Hierarchy-free. Indeed, proceeding with a trial and error approach driven by the reject of the hierarchical bureaucratic practices that exasperated them, they attained a personalized form of Hierarchy-Free”(Getz, 2014).

3.3 THE FEATURES

After having provided different forms of definition of Hierarchy-Free, and analyzed the drivers that can lead to its implementation, the focus now is to study the features of this form of organization. In particular, the aim will be to identify what differential elements belong to Hierarchy-Free compared to the traditional hierarchical organizations, as they are defined in chapter 2.

According to the studied conducted, these differences concern mainly four elements:

- 1) The Organization**
- 2) The Values**
- 3) The Organizational and Managerial Practices**
- 4) The Internal Initiatives**

In the following, each one of these categories will be explored into details.

3.3.1 The Organization

The first aspect to be studied concerning the organization of the Hierarchy-Free will be the organizational design.

3.3.1.1 Organizational Design

As the term “Hierarchy-Free” suggests, the main feature of the organizational design of these

organizations is the elimination, or the reduction of Hierarchical layers, in order to make all employees feel at the same level and to foster freedom of initiative, autonomy and affiliation. Thus, the new organigram favors usually the “circular” shapes in respect to the “rectangular” typical of traditional models (Guihéneuf et al., 2014). In particular, the vertical structure collapse to be integrated into horizontal, autonomous teams, where each employee is at the same level of the others. These teams have been named in several ways according to the companies where they have been created: for instance in Chronoflex they are called “Speed Boats”, “Mini-Factories” in Favi, “Autonomous teams” in Poult. Usually, every team is directly linked to a specific client or it is specialized in the production of a specific type of article or service (Getz, 2014).

As far as the staff (or support) functions are concerned, the positions assumed are different. In some cases, IMA tech or Chronoflex for example, they still maintain their identity, even if the number of job posts are slightly reduced because not deemed necessary. In fact, with this new configuration of organization, and with the improvement of autonomy granted to employees, the role of support functions can overlap the one of employees (Guihéneuf et al., 2014). Some other companies, for instance Favi, have been more radical: they removed the staff functions from the organigram, including them into the teams. As it will be described into the case description of Favi in chapter four, originally in 1989 in Favi there were four support functions: procurement, quality control, maintenance and sales force. After 2004, they have been all included within the “mini-factories”.

Finally, the top management is always present in the organization. The difference is that graphically it is not anymore on the top of the pyramid, but in a sort of way, it becomes a supporting entity of the autonomous teams. In addition, its role is different compared to the directive one in traditional hierarchic organizations. Indeed, it is supposed to support the employees, listening to their needs and problematics, trying to reflect with them towards a solution. Furthermore, it takes care of the areas and the problematic that teams cannot cope with, it looks for business expansion opportunities and it is continuously sharing within the organization the corporate vision of the Hierarchy-Free. (Getz et al., 2012)

3.3.1.2 Team Functioning

The functioning of each team follows a project, transversal logic, not a functional and silos one. Thanks to the proximity with clients, every team member has a clear vision on the needs of the client and can orientate his work towards the accomplishment of his needs (Bardon, 2015). Within the team, the roles are usually autonomously defined by the team itself. As Antony Jay points out:

“Corporate man is a very recent animal. (...) If you had to kill a mammoth or do without supper, there was no time to draw up an organization chart, assign tasks, or delegate authority. Basically, the person who saw the mammoth from farthest away was the Official Sighter, the one who ran fastest was the Head Runner, whoever threw the most accurate spear was the Grand Marksman, and the person all others respected most and listened to was the Chief. That's all there was to it. Distributing little charts to produce an appearance of order would have been a waste of time. It still is.”

The same can happen in Hierarchy-Free. The roles are naturally assigned according to the experience, the competences but also the personality of the people belonging to the team. Furthermore, people are not forced into boxes: they have broader, more complicated and flexible roles. As a result, they gain more rapidly skills and experience (Hamel, 2011). This form of roles definition does not represent a lack of structure, it is just a lack of structure imposed from above.

“But getting back to that mammoth, why was it that all the members of the group were so eager to do their share of the work – sighting, running, spearing, chiefting – and to stand aside when someone else could do it better? Because they all have to eat the thing once it was killed and cooked. What mattered was results, not status.”

Thus, the only driver that usually leads the autonomous organization of employees belonging to the same team is a common objective, not their status. Usually this common objective, expressed in different forms, it is the client satisfaction.

Within the team, employees take all the decision autonomously: they usually take care of the hiring and training processes, the commercial actions, the working schedules, the election of the leader and other kind of operational decisions. And the autonomy granted to employees within the team can also be financial: except for important investments that could sink the company down, they are

free to decide how to spend their budget. It is interesting to mention the example of Morning Star (Hamel, 2011):

“While employees are free to spend the company’s money, they must build a business case that includes return on investment and net present value calculations. They are also expected to consult their colleagues. An employee pushing for a \$3 million investment, for example, might talk with as many as 30 coworkers before pulling the trigger. Similarly, someone who wants to expand a unit’s payroll must sell the idea to his or her peers. Morning Star colleagues have a lot of authority but seldom make unilateral decisions. Conversely, no individual has the power to kill an idea. Rather than acting as judge, jury, and executioner, experienced team members serve as coaches. A young employee with a bold idea will be encouraged to seek the advice of a few veterans, who will often provide a brief tutorial: “Here’s a model you can use to analyze your idea. Do some more homework, and when you’re ready, let’s talk again.”

According to (Laloux, 2014) this autonomy characterizing the team functioning in Hierarchy-Free is one of the breakthrough ideas that make the Hierarchy-Free forms of organization an evolution compared to the more traditional ones, which belong to what he calls the Green Paradigm. In particular, he states that the idea of teams in which employees self-regulate without the presence of a boss supervising them is necessary in those situations with a high level of complexity. Laloux states that while hierarchical forms of organizations can work well to cope with low level of complexity, the current complex environment is requiring more powerful forms of coordination that avoid pyramidal structures. Indeed, hierarchy pushes all the complexity toward the top of the pyramid, and often the complexity is so extended that rarely the few people at the top can handle it. Hierarchical organizations are not the way complex systems work. Those systems respond to a more natural logic that self-regulate, and that employs the collective intelligence to make more solid and comprehensive decisions. For instance, if we observe the functioning of complex environment and organism such as the global economy, the functioning of human cellars, of human brain and of the ecosystem present within a forest, they all work with an interrelated, reactive and non-hierarchical form of organization.

As will be underlined into paragraph 3.3.2.3, this kind of system can work only if there is a complete transparency. Each team produces its own financial statements, and each employee in the team is incentivized to consult them. In order to facilitate the understanding to everybody, in some

organizations such as Semco, the cost control system is simplified to improve its readability and employees can follow classes to learn how to read numbers (Semler, 2000). This climate of transparency and trust fosters an autonomous assumption of responsibility and initiative to improve and change, given that everybody is aware about the results of his decision. In addition, employees mature a holistic thinking that will bring them to think about the effect of their decision not only on the clients, but also on the whole organization.

The term “manager” into the team is abolished, into Hierarchy-Free there are no supervisors or bosses. Instead, employees usually naturally elect a “leader”. For instance in Chronoflex the leader of each team is elected through a poll for a three years period. As it will be detailed into the paragraph “Liberating Leader”, this person is not supposed to control or give orders. He is supposed to assume the role of facilitator, supporter, animator and coordinator.

This configuration allows an easier communication among employees that belong to it. Indeed, given that they are all on the same level and they work in proximity, they do not have hierarchical layers to overcome. Moreover, there are no organizational barriers or formalities that can preempt personal relationship among employees, and this allows a better human cohesion.

3.3.1.3 Working Environment

For sure, also the working environment of Hierarchy-Free should reflect and nurture the fundamental values of autonomy, affiliation and competence. In particular, most of Hierarchy-Free programs are based on the notion of giving employees control over their own lives. In other words, “*We hires adults, and then we treat them like adults*” (Semler, 1989). In the following, a list of practices that can be identified in Hierarchy-Free organizations.

- **Flexible and self-decided working schedules.** Employees are responsible and are free to organize among themselves according to the needs of the team. The timetables are defined according to the reciprocal trust. When possible, also the practices of “Télétravail” (in English: “Virtual work”) is allowed: employees can decide to work from their own house when they have personal needs. If necessary, they can work during weekends as well. Some examples of companies that use these kind of practices are the SPF Mobility and Transports and the “Ministère Sécurité Sociale” in Belgium where employees have the possibilities to

work at home 3 days per week (Meissonnier, 2015). It is important to underline that this kind of organization schedule does not mean that employees work less, but that they are more responsible (Semler, 1989).

- **Offices organized as Open Spaces.** The objective of the physical layout of the offices is to provide comfort, favor the relationship among employees and among employees and leaders, the cohesion, the exchange of expertise and the transparency. Thus, offices in Hierarchy-Free are decorated in a cozy way, the working station are thought to be ergonomic, and the walls are made of transparent glass. The working environment is then structured as an open space where there are no fixed placements. This way employees are able to easily communicate one with each other, and they can move from a station to another according to the other team members they have to work with and to the expertise they need to consult (For instance in SPF Belgium).
- **Opening of ludic spaces.** For instance “Ateliers Zen”(in Gore), company restaurants (Chronoflex) or company gym and “conciergerie” (In English: “Concierge Service”).
- **Abolition of physical and symbolic signs of power.** For instance the abolition of the reserved parking spots. The leaders or the top management are invited to move their working placement inside the teams, to favor the exchange and the conviviality. Their offices are always opened, with walls in glass. In addition, in some companies such as IMA tech, everybody is free to write what they prefer on their presentation card, there are no constraints anymore linked to the job position across the hierarchy.

3.3.2 The Values

It is relevant to dedicate one paragraph to the values at the core of this organization. Indeed, in Hierarchy-Free values are instrumental to the achievement of the mission of every single team, as well as for the good functioning of the whole organization. It is fundamental that every single employee agrees and shares the values of this kind of organization to make it effective, in particular in a system that is not ruled by norms or controls (Getz et al., 2012). In the following, the main values identified in Hierarchy-Free are listed and described.

3.3.2.1 *Human value and Motivation*

This chapter aims to answer to the question: How to foster employees to work autonomously in a working environment without rules or control mechanisms?

The literature states that since 1943, when Abraham Maslow proposed his (still essentially untested) hierarchy-of-needs theory, many psychological theories have been advanced to explain self-motivation. Perhaps the most ambitious contemporary theoretical and empirical research program on self-motivation has been carried out by Deci, Ryan, and their associates (Getz, 2009). Unlike Maslow, who extended the behaviorists' and psychologists' view of man seeking peace of body to that of also seeking peace of mind—and thus being motivated to eliminate the tension of unsatisfied psychological needs—Deci and Ryan view people as programmed for mastery and happiness (vitality and well-being). As child psychologists Jean Piaget and Lev Vygotsky have shown, people from a very early age engage in all kinds of play in order to master different aspects of their environment. They enjoy play to the point of ignoring hunger, fatigue, and the risk of being hurt. Similarly, as adults, people seek mastery and “fun” in many of their leisure and—when the environment allows—work activities. The ongoing natural human activities aiming at mastery and happiness demand what Deci and Ryan call nutriments: “**relatedness**,” “**competence**,” and “**autonomy**”.

Their numerous laboratory and field studies showed that a properly nourishing environment that satisfies people's three universal needs leads to self-motivation. When people are treated with consideration, when they are provided with support for growth and self-direction, they self-motivate and take initiative, leading to increased performance and enhanced personal well-being. When, on the contrary, the environment is controlling and deprives people of their universal needs, then people's motivation becomes externally controlled and they do only what they are rewarded or punished for, which leads to no increase in people's well-being and only short-term performance benefits, if any.

According to Getz: *“Their broad empirical work led Deci and Ryan to extend an earlier postulation of McGregor's: “The answer to the question managers often ask... —How do you motivate people?— is: You don't. Man is by nature motivated... His behavior is influenced by relationships between his characteristics as an organic system and the environment. ... We do not motivate him because he is*

motivated. When he is not, he is dead.” McGregor redefined the “How to motivate people?” problem into: “How to build an environment where people self-motivate themselves?”

*Deci and Ryan extended this redefinition further still: “**What is in the controlling environment that prevents people from getting the right nutriments and what has to be rebuilt in it so they get them?**” Deci and Ryan’s theoretical framework of a “nourishing, non-controlling environment for self-motivation” and its three universal needs of being treated as intrinsically equal, of growth and of self-direction informed our understanding of the design criteria used to build Hierarchy-Free forms of organization” (Getz, 2009).*

So to conclude, according to the literature in Hierarchy-Free the mechanism of “*carrot and stick*” is suppressed, because otherwise employees focus just on the reward achievable thanks to their work. Instead, the focus is on the working environment, and how it can be designed in order to nourish the three fundamental needs that can lead employees to naturally self-motivate:

- **Relatedness;**
- **Competence;**
- **Autonomy.**

It is important to keep this principle in mind to understand the driver that led the organizational decisions of many “liberating” leaders”.

As far as motivation is concerned, is interesting to mention also the vision of Vineet Nayar: “*The mistake is to believe that people work just for money. Employees that are satisfied on the workplace come every day in their offices because they find in their work something that inspires them, that give them an objective, that it is good for their self-development. Why some employees are unhappy when they come to work even if they are paid? Because they do not find any meaning in it. (...) 60% of job satisfaction is not tied to money, but to the fact that workers are provided with an objective, with transparency, autonomy and freedom of choice.*”

3.3.2.2 Trust

Before assessing the utility of trust in Hierarchy-Free, it is relevant to provide a definition of it. Trust is defined by (Rousseau et al., 1998) as *“a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another.”* It is essential in organizations to ensure efficient coordination of activities in contexts of high interdependence and unstable environment (McAllister et al., 1995).

Trust can be classified as **organizational trust** and **interpersonal trust** (Bornarel, 2007). Interpersonal trust is *“the extent to which a person is confident in, and willing to act on the basis of, the words, actions, and decisions of another”* (McAllister 1995). In organizations, it can be clustered in four different levels:

- Manager trust towards subordinates;
- Organization members trust towards their direct managers;
- Organization members trust towards top management;
- Trust between peers.

Organizational trust develops when members of the organization can rely on procedural justice or trust and adhere to its mission (Bornarel, 2007).

On one hand, bureaucratic and traditional hierarchical organizations rely on organizational trust through procedural justice, and they avoid interpersonal trust. On the other hand, modern organizations such as Hierarchy-Free rely on a sort of Paradoxical trust (Bornarel, 2007): they rely on an organizational trust as adhesion to a common mission or objective, but they replace the procedural justice and the control with an interpersonal trust towards peers and towards their leader. Consequently, if employees adhere to this conception, the paradoxical trust assigns indirectly to each of them an objective represented by the accomplishment of a mission in the company, but in the same time removes the costs of control. This logic, together with a proper transparency that will be explained just below, is at the foundation of Hierarchy-Free, because allows to assure the self-direction of employees in a reassuring environment.

3.3.2.3 *Communication and Transparency*

How does communication work in Hierarchy-Free and which consequences has it on the organization?

First, communication should take the form of a bilateral dialogue between employees, leaders and top management. This should allow having feedbacks in both directions in order to improve continuously working practices. This communication should concern both the negative and the positive aspects in complete transparency, so that “les petits cahilloux” (in English: “the small stones”, to say small inefficiencies) can be quickly removed (Guihénouf et al., 2015).

As stated before, there is also a strong horizontal communication within the team, which is a consequence of the proximity and the relatedness at the basis of Hierarchy-Free.

Furthermore, there is a free flow of information also between the top management, or in general the strategic circles, and the rest of the organization. For instance, in some companies, such as Chronoflex, the boards are open to everybody who want to participate. This practice makes everyone aware of important decisions, making the organization moving as a whole.

It is in general important that everyone report its actions, in a transparent and open manner. Indeed, to make the bridge with the former paragraph, transparency is fundamental to establish trust and to synchronize and discipline the organization in absence of controls and rules. Financial statements are frequently provided to employees (i.e. twice a month in Morning Star), colleagues are encouraged to hold one another accountable for results, so an unexpected uptick in expenses is bound to get noticed. In addition, the vertical and horizontal integration of Hierarchy-Free makes employees need cross-company information to calculate how their decision will influence other areas. “There are no information silos and no one questions anyone else’s need to know”. With this sort of transparency, folly and sloth are quickly exposed, as well as every decision of employees. This has two consequences: employees think more holistically and they feel a social pressure that can discipline their actions (Hamel, 2011).

But in practice, how companies can foster the sharing of information and the transparency? In the following a list of communication tools or practices observed into the literature:

- Internal social networks (i.e. “Nocio” in Chronoflex, “Google +” in Officience, “U&I” in HCL Technologies);
- Tools to access to all the financial statements of each economic unit (i.e. “Myblueprint” in HCL Technologies);
- Platforms to post problems and follow their resolution (i.e. “Smart Service Desk” in HCL Technologies);
- Portals to propose innovative ideas and share them with all the organization (i.e. “Mad Jam” in HCL Technologies);
- Platform that allows to exchange and share feedbacks about other member of the organization after a working experience with them (i.e. “Feed forward” or “360” in HCL Technologies);
- Annual company meetings, where employees are invited to share whatever they think about their organization (i.e. in Chronoflex, Morning Star);
- Discussion windows carried out by the management in each one of the organizational unit in the company, to check if there are inefficiencies to solve (i.e. Chronoflex);
- Monthly restaurants organized to meet peers and exchange with them.

3.3.2.4 *Working values*

In this chapter, the effort will be to identify what values are incentivized in Hierarchy-Free strictly in relation to the modalities and the quality of employees work. What are the points of difference compared to traditional hierarchical organizations, characterized by a culture of rules, specialization and control?

- Valorization of **initiative taking**. Employees are fostered to take their own initiative and bring their ideas to improve working practices and conditions (Bardon, 2015). They are constantly listened, and as we will see in chapter 3.3.4, internal initiatives are put in place to allow them to express. Moreover, employees can also be remunerated for interesting contribution: for instance in Favi twice a month a jury reward the best two ideas proposed by the employees.

- Valorization of **personal passions and talents into working practices**. Employees in Hierarchy-Free should be valued for the personal contribution and talent, because on one hand this lead to a personal satisfaction and development, but it can also transform in business opportunities. It is the example of Gore: the culture of this company values the “Sweet Spot” (Gore, 1980), that is the combination of personal interests, needs of the company and competences of the employees in the working practices. Employees in Gore are invited to realize products that can combine these three dimensions. Thanks to this initiative, Gore has been able to expand his market portfolio from the Textile to the music, biochemical, aeronautic and wiring markets.
- Valorization of **risk taking**. This value is linked with the initiative propensity. Indeed, proposing many ideas does not necessarily means that they will be all accepted. Employees will incur frequently in failures, in general, as far as this perspective is concerned, Hierarchy-Free adopt a culture of trial and error. Thus, tolerance and open-mind is required to welcome and accept failure as well as success.
- **Freedom** on the workplace. Employees in Hierarchy-Free are free to define their job description. This means that they can organize their job as they prefer, according to their competences but also to the needs of the team they are working in. They are fostered to improve their skills, experiencing different roles and jobs. The only constraint they are subject to is the achievement of the mission they are assigned to (Getz et al., 2012).
- **Respect, dignity and responsibility**. These values should belong to any adult individual and becomes really relevant in an organization where *“Everyone is a manager (...) The job of managing includes planning, organizing, directing, staffing, and controlling, and everyone is expected to do all these things. Everyone is a manager of their own mission. They are managers of the agreements they make with colleagues, they are managers of the resources they need to get the job done, and they are managers who hold their colleagues accountable” (Hamel, 2011).*

3.3.2.5 Wholeness

According to (Laloux, 2014), usually in organizations people wear professional masks. These masks serve employees to hide their “deeper part” that include the emotional, intuitive and “feminine”

side, intended as attitude to question and take care of themselves. These aspects should be hidden because are otherwise considered as weaknesses. On the other hand, what it is valued in traditional organizations is the valorization of “ego”, which is characterized by a masculine side embodying dignity, determination and strength. In addition, just an extreme rational posture is incentivized in these organizations. In a Hierarchy-Free, or in all those companies belonging to the emerging “Blue Paradigm” using Laloux words, another breakthrough idea is represented by the value of “Wholeness”. According to this principle, employees do not just focus on their rationality, because it represents just a fraction of their capabilities. They bring their passions, mind and hearth to work. They are incentivized to show and use their hidden and deeper part. Hierarchy-Free companies have found ways to align these values so that people can completely show up as they really are, releasing all the energy that otherwise would remain confined into rationality.

3.3.2.6 Evolutionary Purpose

Still according to (Laloux, 2014), a third breakthrough idea that characterizes the companies belonging to the emerging paradigm that he calls “Blue Paradigm” is an “Evolutionary Purpose”. In Hierarchical organizations the ultimate prioritization is the profit generation, which can be achieved thanks to a fixed vision defined by the top management of the company. Hierarchy-Free are instead conceived as “living systems, with a sense of direction which arise spontaneously from the organization”. Thus, the role of leaders in those organizations is not a top-down definition of a strategy, but it is supposed to be an active listening of employees. Leaders have to change the direction according to what employees want the company to achieve. The organizations studied by Laloux do have a purpose, but not a strategy. The reason behind this according to him is that when companies tries to predict the future determining a strategy, they stop to listen to reality. The leaders of these organizations have instead understood that it is more effective to adapt constantly the direction and the purpose of the company according to the internal and external environment.

3.3.3 Organizational and Managerial Practices

This chapter will describe the following aspects concerning Hierarchy-Free:

- 1) The traits of a “Liberating” leader;
- 2) How the decision making works;
- 3) How the organization deals with internal disputes;
- 4) How do recruitment and training is organized;
- 5) The remuneration.

3.3.3.1 *The “liberating” leader*

As we anticipated into chapter 3.3.1, in Hierarchy-Free managers do not exist anymore, to avoid the limit of traditional hierarchical organizations. Instead, team members naturally elect leaders. So how should a leader behave in Hierarchy-free? According to (Getz et al., 2009) the main liberating features are:

- **To listen instead of tell.** This is important for several reasons. It allows first to increase the “brain capacity” when solving a problem. Indeed, involving also employees in a problem resolution permits to take into account different perspectives than the one of the leader. In addition, when the leader listen to the employees, they feel intrinsically equal, which is important for the preserving a nourishing working environment. This listening attitude should be continuously transmitted to the other leaders of the organization through formal and informal trainings. It should be also proactively put in place with employees through regular interviews aimed at assessing if they have particular problems.
- **To be an animator.** Instead of giving orders, the leader should adopt a posture that can allow the collective intelligence to emerge. Thus, he is supposed to reassure, support and decrease the weight of responsibility. When necessary he should also assume the role of a coach, training the employees when he can and providing them not only a material but also a psychological support.
- **To keep the values and the culture alive.** As stated before in this thesis, the respect of values is necessary for the functioning of Hierarchy-Free. The leader should then make them spread

and consolidate them through reinforcing actions throughout the whole organization. This is fundamental for two reasons. First, because employees and ex-managers in Hierarchy-Free will have tendencies to come back to the “command and control” mechanisms, setting rules and policies, punishments and sanctions for abuses. Then because they will also have the egoistical tendency to switch from an orientation toward a collective vision to an immediate and selfish one.

- **To be tolerant to errors.** Coherently with the culture of the risk propensity explained above.
- **Be responsible, creative and wise.** In the following, some aspects of the definition of these three traits are underlined, given their importance in this form of organization:

- Responsibility: Ability to self-manage in absence of rules and procedures.
- Creativity: Ability to redefine problems. Creativity researchers single out this ability because very often creative insights come not during the search of the solution, but during redefinition of the problem itself.
- Wisdom: Wisdom is different from intelligence, which is the ability to acquire and process information. One can be smart and foolish at the same time. Wisdom scholars

define it as “excellence in . . . judgment, advice, and commentary in difficult and uncertain matters of life and life conduct . . . combining personal and common good.” (Baltes et al., 2004) Thus, wisdom helps with uncertain, conflicting matters and with contradictory goals. Holistic and dialectical thinking styles explain how wisdom achieves that. Holistic thinking is “The capacity to evaluate surrounding circumstances and environment before giving too much credit or blame to a specific situation” whereas dialectical thinking is “The capacity to develop the conviction that a thing and its logical opposite can be true at the same time” (Baltes et al., 2004).

In the past thirty years, developmental psychologists have shown that the best problem solvers think “holistically” and “dialectically” about the problems they face. (Richards, 2004). Thus understanding these two dimensions can help leaders to deal with paradoxical situations.

3.3.3.2 *Decision-making*

The decision-making in Hierarchy-Free can be defined as collective among employees. There is no more a decision owner that has all the responsibility of the decision taken. This practice is inspired by the fact that employees on the field, who are constantly facing problems, know the job better than managers who are at some superior hierarchical levels, then they can make more reasonable decisions. Thus, what can be stated is that there is a switch from a hierarchy of power to a structure of influence. Indeed, the context of collective decisions incentivize the natural relationship, in which usually the most influent person drives the discussion. That could not allow everyone to properly express his opinion; that is why certain decisions, the most important ones, can be made by a company-wide vote (Semler, 2000).

Another perspective concerning the decision-making is the one provided by (Laloux, 2014). According to Laloux, the decision-making adopted in Hierarchy-Free forms of organization is an “advice process decision-making”. This means that any person in the organization can make decisions, but respecting just two prerequisites: seek the advice of experts and seek the advice of people who will be impacted by that decision. This way the decision-making does not rely anymore on the judgement capabilities of a minority that approves the decisions. It becomes collective, more stable and powerful because it takes into account different perspectives and processing capabilities.

In addition, decisions are no defined by norms and regulation, which belong to a rigid environment of control and distrust. They are instead inspired by the “rule of common sense” (Semler, 2000), that put employees in the demanding position of using their own judgement and assume personal responsibility.

The scope of the possible decisions that team members in Hierarchy-Free can make is quite wide. They have individual or collective decisions over recruitment, remuneration, operational issues, election and evaluation of leaders but also financial investments. Indeed, they can decide upon project to implement to improve the working practices or investments to buy tools, materials and physical assets in general. As discusses in chapter 3.3.2, decision are “regulated” by transparency and trust. Generally, the top management intervenes just in case of important and relevant decisions that can decide over the strategy of the company.

It is interesting to mention the collective decision mechanism used in Morning Star, called CLOU: *“Every year, each Morning Star employee negotiates a Colleague Letter of Understanding (CLOU) with the associates who are most affected by his or her work. A CLOU (pronounced “clue”) is, in essence, an operating plan for fulfilling one’s mission. An employee may talk to 10 or more colleagues during the negotiations, with each discussion lasting 20 to 60 minutes. A CLOU can cover as many as 30 activity areas and spells out all the relevant performance metrics. All together, CLOUs delineate roughly 3,000 formal relationships among Morning Star’s full-time employees. CLOUs morph from year to year to reflect changing competencies and shifting interests. Over time experienced colleagues take on more-complex assignments and off-load basic tasks to recently hired colleagues (...) Strikingly, Rufer (CEO of Morning Star) doesn’t see freedom as the enemy of coordination; he sees it as its ally. Every person at Morning Star is a contractor in a web of multilateral commitments. As one team member told me, “Around here, nobody’s your boss and everybody’s your boss” (Hamel, 2011).*

3.3.3.3 Disputes resolution

Another element to analyze is the problem resolution in case of disputes. Indeed, given that there are no rules that can state who is right in a conflict between two parties, it is relevant to understand how the problem could be properly solved.

According to the literature, the dispute resolution can pass through multiple steps. First, in case of dispute over a collective decision, employees are supposed to try to solve the problem themselves on the field. In case the problem persists, the leader can intervene to represent a neutral arbiter. Finally, if also after the second step a univocal result is not emerged, the problem will be discussed with the top management to come to a definitive conclusion. For instance, it is interesting to observe the conflict resolution in Morning Star:

“Suppose you and I work in different business units, and you believe I’ve failed to meet my CLOU commitments. As a first step, we’d meet, and you’d argue your case. I might offer an excuse, agree to do better, or toss the blame back at you. If the two of us couldn’t resolve the matter, we would pick an internal mediator whom we both trust and present our views. Let’s say the mediator agreed

with you, but I objected to the proposed remedy. At this juncture, a panel of six colleagues would assemble to help us settle our squabble. It might endorse the mediator's recommendation or propose another solution. If I demurred again, the president would bring the parties together, hear the arguments, and make a binding decision. It is highly unusual, though, for a dispute to land on Rufer's desk" (Hamel, 2011).

3.3.3.4 Recruitment and Training

The focus now is to understand how recruitment and training works in Hierarchy-Free, knowing that the HR staff function in most of the cases does not exist anymore, or it has limited tasks.

As far as the recruitment is concerned, generally they are the team members themselves that take care of the process. They publish the job offer, they screen the CVs, they conduct the interviews with the candidates and they collectively brainstorm to make the final decision. This practice is meaningful in Hierarchy-Free, because employees in the autonomous team are perfectly aware about the skills and attitudes needed by a new recruit in their team. Sometimes, according to the size of the Hierarchy-Free, the recruiting includes also an additional step with the top management. This additional step is oriented to test the motivation and the adhesion to the values of the candidate (Getz et al. 2012).

In the following, the example of the hiring process at Semco:

"When you want somebody hired, let's say it's for a leadership position of some kind, you go to the system and you advertise that you think someone is needed. Then on a given day— say, Wednesday at 4 o'clock, meeting room 11— you say we're going to discuss this, whoever's interested. (...)The people who show up put together a template of what are the characteristics that person needs to have, and what is the weight of each of these characteristics. They'll then go looking for that person by putting an ad in the paper, or through a headhunter. And when the resumes come in, basically, whoever started the whole thing will distribute packs of these resumes to people, because there's no HR department to do it. (...)Now a lot of things happen in this process. Because 40 of us are looking at ten resumes each, or ten of us are looking at 40 resumes each, I'm going to locate people who are not ideal for this job but that could be ideal for another job, and that's something that disappears

*completely when an HR department does this, because they're basically screening between yes and no— it's a digital response. With our system, we're creating an analog response, meaning, maybe this person would be great for I don't know who, and then we send that curriculum vitae on to someone else. Once we've found ten who had an A-plus out of the 400, we will do a **collective interview** of all the candidates, which most people don't like, and which I found very strange in the beginning” (Semler, 2004).*

The training is a delicate process in Hierarchy-Free. Indeed, it is not just about empowerment but also about the sharing and the preservation of the values of the company. That is the reason for which frequently also the top management participates to it, because it is the main culture and value keeper. The trainings, especially the first ones dedicated to the new recruits, are also an opportunity of exchange on the working practices, where external valuable perspectives can be taken into account. In addition, one of the aim of these trainings is usually to make employees know and get in touch with the whole company, not just the organizational unit in which they are working. This will allow them to mature a more wide organizational conscience, and lay the basis for the holistic thinking (Laloux, 2014).

For instance, in Chronoflex, new recruits are trained during a four weeks period. Two of these weeks are on the field, accompanying the operators during their daily work. The other two weeks are in the headquarters, and they spend part of their training time with the CEO and the top management which explains them the company spirit, what is expected from them, the mission and the values. At the end of this session, the CEO offer to the recruits, who have been properly trained, a severance check of 1000 euros if they decide to leave the company at that point. This practice is made in order to test the real motivation of the recruits to work into the company.

3.3.3.5 Remuneration

Obviously, each Hierarchy-Free defines its remuneration policy in a different way. Anyway, three general observations can be drawn according to the studies conducted:

- The remuneration can include a **share, collective part**. For instance in Semco, twice a year 23% of each division after-tax profit is given to employees, that can decide together what to do with it;
- It can be linked to the **employees' results**. For instance in Chronoflex there is a remuneration system called "3 times 15". According to this system 15 % of the profit generated by each technician is variable; 15% of the profit generated by the team is equally split among team members; 15 % of the whole company profit is equally shared with all the organization;
- It is **not based on status but on competence**. For instance in Morning Star At the end of each year, every colleague develops a self-assessment document outlining how he or she performed against CLOU goals, ROI targets, and other metrics. Colleagues then elect a local compensation committee; about eight such bodies are created across the company each year. The committees work to validate self-assessments and uncover contributions that went unreported. After weighing inputs, the committees set individual compensation levels, ensuring that pay aligns with value added and competences.

3.3.4 The Internal Initiatives

According to the literature, four categories of internal initiatives, communities and actions can be implemented in Hierarchy-Free in order to preserve an environment that nurtures the fundamental values of autonomy, relatedness and competence (Getz et al., 2012):

- Empowering oriented initiatives
- Innovation oriented initiatives
- Information sharing oriented initiatives
- Social oriented initiatives

3.3.4.1 *Empowering oriented initiatives*

This cluster of initiatives aims at enlarge the competences of Hierarchy-Free employees, so that they can have a more complete and client-oriented approach to work. These initiatives can be for instance the "Job rotation", applied in Harley-Davidson or initiatives similar to the "Lost in space" implemented in Semco. Lost in space is a program for which the new hired can spend from six to

twelve of the first months he has been in the company to move around, experimenting different jobs and organizational units. In the end, he will be free of deciding where he would feel more motivated and suitable to work (Semler, 2000). Another interesting initiative is called “Live my Job” and has been carried out by Chronoflex in 2013. This program allows each employee once a year to live the job of one of his colleagues for the duration of one day.

3.3.4.2 *Innovation oriented initiatives*

These initiatives are instead oriented to incentivize and facilitate employees of Hierarchy-Free to propose, listen to and exchange around ideas that can improve the working environment or practices. They usually take the form of “Communities of Practices” (CoPs), which are defined as “*Group of individuals sharing a common interest in a specific topic and gain knowledge about such a topic by practicing long enough together*” (Bardon, 2016). These communities should be organized in order to recreate a good balance between control and autonomy. Indeed, autonomy in the organization of the exchanges and spontaneity of the discussion in the communities is necessary to preserve the motivation and the authenticity of the communication with peers. Nevertheless, they also need the control of a coordinating leader that knows the topic. The leader is supposed to make the discussion in the community as effective as possible, coordinating the team, leading it towards the objective of the community and actively listening and adapting to the members belonging to it (Bardon, 2016).

This type of CoPs has been implemented in IMA Tech, with the name of “Agora”. This CoP, organized during the working hours of employees in order not to absorb free time or breaks, has been conceived as a space of exchange among employees. During the meeting of Agora, every employee, from any kind of service or team, is free to express, share and defend his idea, and then proceed to the discussion of how to implement it. This initiative is also an important opportunity to meet and exchange with other services of the company (Guihéneuf, 2014). Similar initiatives have been also implemented in Chronoflex. Their name are “IN-Lab”, which is an incubator where everybody can propose his ideas to a commission, that if convinced, can provide the know-how and the resources to implement it; and “Task Forces”, which are group of voluntary people that discuss about a topic, exactly with the same modalities of CoPs discussed above.

3.3.4.3 Information sharing oriented initiatives

Information sharing oriented initiatives are dedicated to improve and facilitate the communication and transparency within the Hierarchy-Free. They have been already presented in chapter 3.3.2.3.

3.3.4.4 Social oriented initiatives

These initiatives aims at building and preserve a sense of social cohesion among employees. This cohesion is important to nurture the need of relatedness necessary to motivate the people in the organization. These communities usually have birth autonomously, from the initiative of the employees themselves. A suitable example is the one of Harley-Davidson. According to Teerlink, the former CEO of Harley-Davidson, in the stimulating environment recreated thanks to the implementation of a Hierarchy-Free, some employees decided to create some informal communities of bike-riders who frequently gather up to travel over with their Harley-Davidsons motorcycles. They did that driven by the need of connection and they generate involuntarily a powerful brand image item of Harley-Davidson. Indeed, this idea of community of riders spread also among the clients of Harley-Davidson, being replicated all around the world, gathering a family of about one million people.

3.3.5 Summarizing Matrix

After having defined what are the main features that distinguish a Hierarchy-Free form of organization compared to the more traditional organizations, it can be useful to synthetize the main elements. In order to do that, in the following a summarizing matrix is provided. This matrix is just a synthesis of the aspects described in chapter 3.3, and it can be used to assess the degree of “Liberation” of a company. Indeed, the more an organization implement or adopt the organization, the values, the organizational and managerial practices and the internal initiatives typical of a Hierarchy-Free, the more it can be considered “Liberated” from Hierarchy.

For a matter of simplicity and readability, four different matrix will be presented, one for each of the four perspectives analyzed.

The Organization		
<i>Organizational Design</i>	<i>Team Functioning</i>	<i>Working Environment</i>
<i>Horizontal autonomous teams</i>	<i>Project and objective driven logic</i>	<i>Flexible working schedule</i>
<i>Suppression of hierarchical layers</i>	<i>Autonomy of role definition</i>	<i>Ludic spaces</i>
<i>Suppression of support functions</i>	<i>Transparency of information</i>	<i>Open spaces</i>
<i>Supporting top management</i>	<i>Self-regulation</i>	<i>Abolition of signs of power</i>
	<i>Coordination of a leader (not a manager)</i>	

Table 3.1 The Organization

The Values					
Human values	Trust	Transparency	Working values	Wholeness	Evolutionary Purpose
<i>Relatedness</i>	<i>Leaders toward team members</i>	<i>Bilateral dialogue with strategic circles</i>	<i>Initiative taking</i>		
<i>Autonomy</i>	<i>Team members toward leaders</i>	<i>Financial information transparency</i>	<i>Freedom</i>		
<i>Competence</i>	<i>Inter-peers</i>	<i>Implementation of communication tools</i>	<i>Risk taking</i>		
	<i>Employees toward top management</i>	<i>Strategic information transparency</i>	<i>Valorization of passion and personal talents</i>		
			<i>Respect, dignity and responsibility</i>		

Table 3.2 The Values

The Organizational and Managerial Practices				
<i>Liberating Leader</i>	<i>Decision-making</i>	<i>Dispute Resolution</i>	<i>Recruitment & Training</i>	<i>Remuneration</i>
<i>Listening attitude</i>	<i>Collective (or advice-process based)</i>	<i>Inter-peer resolution with rare interventions of leaders and top management</i>	<i>Recruitment managed by team members</i>	<i>Including a sharing part</i>
<i>Animator role</i>	<i>Absence of regulation</i>		<i>Training managed by team members</i>	<i>Linked to employees' results</i>
<i>Culture & value keeper</i>	<i>Common-sense based</i>		<i>Training on company values</i>	<i>Competence-based</i>
<i>Creative</i>			<i>Intervention of top management to preserve values</i>	<i>Autonomously defined by employees</i>
<i>Responsible</i>			<i>Absence or lightened role of HR</i>	
<i>Wise</i>				

Table 3.3 The Organizational and Managerial Practices

The Internal Initiatives			
<i>Empowering oriented</i>	<i>Innovation oriented</i>	<i>Information sharing oriented</i>	<i>Social oriented</i>

Table 3.4 The Internal Initiatives

3.4 THE IMPLEMENTATION PROCESS

The focus of this chapter is on the process of implementation of a Hierarchy-Free. It is fundamental to underline some assumptions before going through the analysis. First, there are no fixed or predetermined processes to implement a Hierarchy-Free. As stated in chapter 3.2, usually CEO and top management react to a former organization trying to create a company where employees are free to make decisions for the wealth of the company itself, and to reach the objective they move in different empirical ways (Getz, 2009). In addition, as it will be detailed in this chapter, to carry out an effective change management program, it is necessary to adapt to the culture and the specificities of each company, avoiding universal solutions (Bardon, 2015).

Thus, the process described here aims to be a comprehensive synthesis of different implementation process observed in different situations. This means that not all the Hierarchy-Free companies observed go through all the steps, and obviously not all of them execute the steps with the same modalities and with the chronological order that will be proposed hereunder. Nevertheless, the analysis is supposed to provide a standard and general view that can facilitate a systematic understanding of how a Hierarchy-Free is built.

In particular, this chapter includes two sections, describing two categories of implementation practices:

- 1) **The basic implementation practices:** This section describes the actual process of implementation, including all the concrete actions carried out from the moment where the CEO matures the decision to go through the Liberation Process, until the ongoing practices of preservation of the Hierarchy-Free culture. This chapter is a systematic review of literature, company cases and interviews.
- 2) **The change management practices:** This chapter will instead provide some recommendations that are not linked to the “material” actions of implementation, but on the posture and the approach to adopt in managing the change and the resistance coming from the organization. Indeed, a Hierarchy-Free represents a radical change in respect to a former pre-existing hierarchical organization, and the process of accompaniment of all the people subject to it must be carefully planned.

3.4.1 The basic implementation practices

According to the literature review, five steps have been identified concerning the implementation of a Hierarchy-Free. They are listed in the following image, and described beyond.

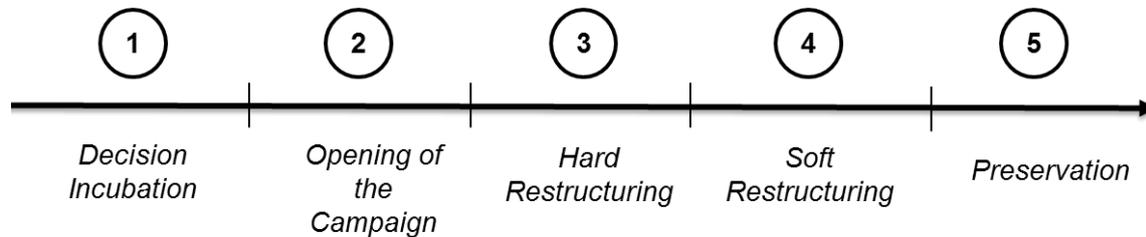


Figure 3.8 The Implementation Process

These five steps are a synthesis and a categorization deriving from the study of the implementation processes described by (Getz, 2009, 2012), (Laloux, 2016), (Guihéneuf, 2014), (ANACT, 2015), (ESC Clermont, 2016), (Hamel, 2011).

3.4.1.1 Decision Incubation

During this first step, the leader or in general the top management of the company begins to mature the need to change the organization. Triggered by the drivers explained in chapter 3.2, they study the existing organizational layout and practices, identifying inefficiencies and reflecting over modalities to overcome them. According to the studies conducted, the decision to adopt a Hierarchy-Free organizational form can be achieved in two ways:

- The head of the company get in touch with the existing literature or experiences regarding Hierarchy-Free. For instance he assists to the speech of a “Liberating Leader” (as Gerard, the CEO of Chronoflex did assisting and exchanging with the Zobrist, the CEO of Favi), he reads and studies materials on the subject or he simply visit other companies that have undertaken a Hierarchy-Free pattern, and get consequently inspired.
- It can also happen that the CEO and the top management does not realize immediately that they are going to put in place a Hierarchy-Free organization. These leaders, for instance the ones of Chaparral Steel, Quad/Graphics, Richard’s Group, Sol and USAA, do not evoke any influence of ideas or company models in their process of construction of Hierarchy-Free.

They just mature the will of changing the existing situation, undergoing through a series of trial and error actions that in the end reveal to be adherent to a Hierarchy-Free form of organization (Getz et al., 2012).

Anyway, what always happens is that the head of the company takes the initiative. This is necessary because a strong direction is needed, especially during the first phases, in order to implement an important organizational change like this. And the whole company can't adhere to this change if its head is not deeply convinced and motivated to undertake it.

3.4.1.2 Opening of the campaign

After the decision of walking through the "liberation" pattern has been made, the top management of the company involves the rest of the organization. And the first step to do it is usually to gather up the members of the company and to make an opening speech, where the CEO underlines the problems that generate the inefficiencies of the organization and unhappiness of employees, introducing them a first presentation of his idea of "Liberation" as a solution (Getz et al., 2012).

Even if it is necessary to have a strong leadership in these starting phases, the best way to build a company where employees can be more productive, proactive and motivated is to create it with them. That is why at this point some brainstorming, workshops and initial meetings are organized with the employees. The objective of these meetings is to reformulate the organization with employees, incentivizing and listening to the initiatives proposed. Usually the main output of these meetings is the definition of a shared vision and values of the Hierarchy-Free. For instance, the result of this step in Chronoflex has been a statement for the vision for the group: "The passion of doing business to make yours successful" and four initial shared values:

- Reach performance through happiness
- Cultivate your customers love
- Build a respectful and responsible team
- Be open-minded and keep your mind open

In parallel, the CEO and the top management should be coached on the decision-making delegation, and should start to spread this culture over the whole organization.

3.4.1.3 Hard Restructuring

The “Hard Restructuring phase” includes the implementation of all those actions that have a structural impact on the organization design and practices. According to (Getz et al., 2012) the main actions carried out during this phase are:

- The suppression or the reduction of the hierarchical structure;
- The organization in autonomous teams (for more details, see paragraph 3.3.1.2);
- The elimination or reduction of a number of work practices and symbolic signs of power because they did not satisfy people’s need for intrinsic equality. These practices include time clocks, locked supply closets, desks arranged by departments and other similar fixed seating arrangements, superior offices for executives and managers, reserved parking spaces and titles or ranks. (see paragraph 3.3.1.3);
- The re-organization of the working environment to reflect the fundamental needs for self-motivation; (see paragraph 3.3.1.3);
- They elimination or reduction of some management practices including: Human Resources departments and management procedures, requests and itemized reports of travel expenses, Financial (control) departments. It is during this phase that the staff function are included into the teams and the mechanism and the procedures of control are eliminated to leave the place to more autonomous decision-making supported by trust and transparency (see paragraph 3.3.1.1, 3.3.2.2).

3.4.1.4 Soft Restructuring

The soft restructuring is usually subsequent to the hard restructuring and includes all that complementary actions that does not have an impact on the structure of the organization, but influence the environment, the functioning and the working routines of employees. They are:

- “Removing little stones” that means probing employees to find out about the things that bothered them and prevented them from being at their best in their work and to change those things one by one (Guihénef, 2014);
- Actions that can recreate an environment where people can grow and self-direct. This means proposing training processes, amplification of competences, partnerships with other institutions to integrate external know-how, and the proposition of coaching to employees. For instance, in USAA:
“McDermott (CEO of USAA) launched training and education efforts to meet people's need to grow. A strong believer that everyone has a talent for something, he first encouraged people to move into areas that interested them and then to get the training they needed to do so. He worked with local universities to offer employees classes (at the company's expense) and in a variety of subjects, provided they were related in some way to work. On a typical night, 75 USAA training classrooms were filled with employees, involving about 30% of USAA's work force. Service representatives specifically got up to 16 weeks of training and simulations, including a week in effective listening, before they started answering phones. (...)For example, at USAA (in essence, a gigantic call center) the environment that satisfies the need for selfdirection includes the authority to spend whatever time service representatives deem is required to solve a customer's problem—both business and personal” (Getz et al., 2009).
- The definition of new forms of remuneration (See chapter 3.3.3.5);
- The implementation of different forms of internal initiatives: empowering oriented, innovation oriented, information sharing oriented and social oriented (See chapter 3.3.4).

3.4.1.5 Preservation

In this final phase, the aim of the organization is to preserve and keep the values and the culture of the Hierarchy-Free alive. Thus, everybody, but especially top management and leaders, should always stay vigilant to identify if the values are not respected. In addition, reinforcing actions should continuously put in place to consolidate the Hierarchy-Free culture. Rich Teerlink, a former CEO of Harley-Davidson, for example, regularly toured its U.S. facilities where he held town-hall meetings for each shift giving information and answering questions, a practice still followed by the current CEO, Jim Ziemer (Getz, 2009).

3.4.2 Change management practices

As far as change management practices are concerned, the following contribution will be presented in this chapter:

- Liberation through narrativity and storytelling (Legrand et al., 2016);
- Sense management (Arnaud et al., 2015) ;
- Intermediate managers redefinition (Bardon et al., 2015).

These three approaches have been recently formulated and take into consideration change management practices with a particular focus on how they can be implemented in Hierarchy-Free organizations.

3.4.2.1 *Liberation through narrativity and storytelling*

The theory of “Liberation through narrativity” has been elaborated by Legrand, Mills and Arnaud in 2016, drawing on a solitary case of change and resistance management during a process of implementation of a Hierarchy-Free in a French company (called with the false name of TELTEK). The study examined how narrativity operated across stakeholder interfaces during the implementation of a “liberation management” (LM) initiative. In particular, it sought to establish how context interacted with narratives to shape and stabilize the sensemaking at organizational interfaces by identifying three ‘narratives in the making’ – the initial, counter and corrective narratives (Legrand et al., 2016).

In particular, the **initial narratives** represent the sense giving explanations that the CEO of TELTEK provided at the launch of the liberation campaign. At the eyes of the organization, these narratives are completely unexpected ideas. The **counter narratives** represent instead narratives that resulted from the employees of the organization in response to the initial sense giving narratives of the CEO. They are driven by frustration, cynicism, fear and disappointment generated by the change. Finally, the **corrective narratives** are the argumentations brought by the CEO in reaction to the counter narrative to adjust or to reinforce the initial sense giving narratives. They can be discursive but also symbolic actions. Together, these narratives contributed to a dynamic process of proactive and reactive sense giving that was linked to employees’ sense making (Legrand et al., 2016).

The table below contains excerpts from the interviews that provide insights into this dynamic interaction between narratives and sense giving and sense making. For each of the four main narratives excerpts (represented on the lines) that the CEO of TELTEK used to sustain and support his argumentation regarding the implementation of a Hierarchy-free, the three typology of narratives (represented on the column) are examined. This table is useful to observe a concrete example of the “Liberation through narrativity” theory presented just above.

Managements’ narratives supporting liberation	Sense giving narratives	Counter narratives	Corrective narratives
<i>“Liberating in order to survive”</i>	<ul style="list-style-type: none"> - “We don’t have any choice; it is a matter of survival” (CEO). 	<ul style="list-style-type: none"> - “It is an ego trip” (operational employee). - “Our CEO needs new high challenges. That is all it is” (TMT member). - “This is like an inside joke of the CEO and a couple of other CEOs he is close to. The one who does the silliest thing wins!” (support team manager). 	<p>Reinforcement:</p> <ul style="list-style-type: none"> - “Margins are reducing and budget objectives are not met. We need to find solutions together” (CEO) - “As you can see (on the presentation slide) according to budget objectives we are in the red. We have to sustain our efforts and find solutions together” (VP finance) - “Price negotiations on CRS (customer relationship services) are harder than ever and margins are low” (VP Business development) - “Traditional call-centers activities are threatened by international aggressive competition. We need to develop TELTEK offer on added value services and products” (CEO)
<i>“Freeing TELTEK employees”</i>	<ul style="list-style-type: none"> - “Everyone is now empowered to make 	<ul style="list-style-type: none"> - “This liberation management thing, I 	Adjustment:

Managements' narratives supporting liberation	Sense giving narratives	Counter narratives	Corrective narratives
	<p>decisions about what they do and how they do it" (CEO).</p>	<p>love the idea, but this is not my company. My day to day activities are about control, not freedom" (operational employee).</p> <p>- "Since last week, based on the customer request, we are not allowed to use our personal mobile phone anymore. Is that liberation?!" (operational employee).</p> <p>- "When we are 2 minutes late in morning, we get reprimanded. They don't trust us. They think we don't want to work." (operational employee).</p>	<p>- "We are entering a new phase, the 'path of trust'" (CEO)</p> <p>- "Each department accordingly to its own constraints is making progress on the path of Trust" (CEO)</p>
		<p>- "We don't know where we are going, there is no destination.... It is scary" (support employee).</p>	<p>Reinforcement:</p> <p>- "There is no pre-defined destination or method for LM, and we are finding our way along all together" (CEO)</p>
	<p>- "Do we still need support functions?"</p>	<p>- "What am I going to become? According to what they (CEO) say, there will be no need for managers anymore..." (Operations manager).</p>	<p>Adjustment:</p> <p>- "Support functions are important. They are rethinking their roles to accompany and facilitate the journey" (CEO)</p> <p>- "We are here to support your ideas" (VP Methods and Quality)</p> <p>- "Our role is to help you give meaning to numbers" (Accounting manager)</p>
<p>"Fostering innovation"</p>	<p>- "After only 8 months there are already</p>	<p>- "With this LMP, the operational</p>	<p>Adjustment:</p>

Managements' narratives supporting liberation	Sense giving narratives	Counter narratives	Corrective narratives
	lots of achievements. It's great to see that. We are ... they are moving!" (CEO)	employees and their managers are thinking they can do what they want. They can innovate as they wish. The problem to me is that organization needs structures, control and rules. There is need for organization. This requires skills that everybody hasn't got!" (VP Methods and Quality).	<p>- "Several departments are developing new services and products. Lots of trials, errors and some success, and that naturally goes along with innovation" (CEO)</p> <p>- "Innovation is like nature. Seeds are planted, some start to grow and die, some develop into baby plants, fewer reach the stage of young plants, and fewer produce flowers... it is all about innovation" (VP Methods and Quality)</p>
	- "Alan created a funny video to communicate on how to deal with clients on the phone" (CEO).	<p>- "I came with a new concept developed in my own time. But I didn't get any reward in terms of evolution or salary. I'm done with it (LM)!" (Alan, operational employee).</p> <p>- "They want us to be innovative, but what is the incentive? None" (operational employee).</p>	<p>Adjustment (at the periphery):</p> <p>- "Dan that developed the idea of a juridical data base with paid access is now evolving to project manager, and is in charge to implement this new product" (CEO)</p>
"Being transparent"	- "Everyone in TELTEK now has access to financial information. We are completely transparent" (CEO).	- "They are manipulating us. Who can tell they are giving us the real information?!" (operational employee).	<p>Reinforcement:</p> <p>- "There is no withholding of information. All managers including me have had their office door removed. Only doors of meeting rooms are still in place for noises reduction purposes in the platforms" (CEO)</p>

Table 3.5 IMATEK Narrativity Approach

The systematic adoption of this practice to manage the resistance from the organization can help in making sense of the disorder and the polyphony generated by the reaction of employees to unexpected ideas. In addition, the counter narratives are relevant if properly taken into account because they can generate corrective narratives that improve the initial sense giving.

3.4.2.2 Intermediate managers redefinition

As also analyzed throughout all chapter 3, the adopters of a Hierarchy-Free form of organization are quite radical on the vision of intermediate managers in the organizations: they are source of communicational inefficiencies and they are not of particular value added. Consequently, they tend to suppress the intermediate management layers and to include them into the autonomous teams. Bardon and Arnaud, two professors at Audencia Business School belonging to the “Chaire d’innovations managériales”, analyzed more in detail the role of the “Intermediate manager” and discussed the matter of whether they are source of inefficiencies or not.

The intermediate management is a managerial level interface between the strategic decision-makers and the operational personnel. Intermediate managers have different roles according to the size and the typology of the company, they can be called with different titles and they do not belong to a homogeneous group, but in the same organization, they can work in different organizational units.

Currently, Hierarchy-Free supporters opine that the intermediate management should be eliminated. The reasons are that employees can manage themselves, auto-controlling their action and the ones of their peers. In addition, intermediate managers extend the decision chain and they reduce the company reactivity. Therefore, in the last twenty years, there has been a progressive trend of hierarchy flattening with a consequent general loss of credibility of intermediate managers, who have been deemed people that avoid problems and just want to preserve their privileges. This conception has generated a strong disengagement among managers linked to a lack of consideration and of career perspectives, to the excessive administrative tasks assigned to them and to the intense schedule that does not allow them to do actual management actions. This disengagement in traditional organization has been transferred consequently on the lower layers of the organization.

But is it really necessary to eliminate them? What tensions do they contribute to solve in organizations and how it is possible to redefine their role in new organizations without losing their value added? In the following, five tensions that intermediate managers contribute to solve are presented. Those represent also some guidelines to improve their role into organizations (Bardon et al., 2015).

- **Tension between the corporate and operational strategy.** For definition, intermediate managers can figure out the objectives of the strategic spheres of the organization, translating them into the work of operational unit with whom they are in proximity. In addition, they can also nourish the global comprehension remounting the challenge faced by the operational levels.
- **Tension between individual and collectivity management.** Intermediate managers have a clear visibility both on each specific case in their team and on collective challenges. Thus, on one hand they can manage different aspects tied to the individual sphere, such as objectives setting, remuneration, evaluation, training and career development. On the other hand, they can also remain in a logic of collective management, taking into account the economical, ethic and transparency constraints that they are supposed to know.
- **Tension between control and autonomy.** This trade-off is delicate to balance. On one hand, control is important in the perspective of a functioning collectivity and it can help employees that does not have enough competence to sustain responsibility. But too much control interferes with the initiative taking. On the other hand, autonomy facilitates the individual competencies expression and it stimulates creativity. Too much autonomy can result in a lack of coordination and to insecurity. Intermediate managers play an important role in the management of this trade off, because thanks to their proximity with the teams, they can adapt this balance in function of the situation. In addition, they can put in place some form of control that are perceived as action of support from the team. Indeed, they can do it assuming the role of leaders that motivate, plan, stimulate and structure the team.
- **Tension between stability and change.** On one hand, especially according to traditional vision of organization, the stability is an important source of value. Indeed, stability means organizational routines that should not be considered a form of rigidity that preempt change,

but also an important way to incorporate individual and collective expertise. Corporate routines contribute also to preserve culture, cohesion and trust and they can also generate efficiency. On the other hand, change is fundamental to adapt to the environment. Intermediate managers, thanks to their proximity with operational teams and daily routines, have a comprehensive knowledge both on stability elements and change levers, assessing how to manage them depending on the situation.

- **Tension between success and failure.** Both success and failure are two conditions fundamental for the performance of the modern company. Intermediate managers can play an important role in defining a positive balance between the two. As far as success is concerned, intermediate managers can incarnate the exigence of success of their team through the definition of ambitious objectives, they can encourage the teams both at a collective than at an individual level, and carry out daily accompaniment and counseling. But success means also take the risk of failing, especially if it is linked to the implementation of an innovation. Intermediate managers are able to provide a psychological security to the members of the teams, allowing them to be more incentivized to take risks, without being paralyzed by fear. This security implies the valorization of creativity, the identification of innovative projects and their support.

In conclusion, across from what currents supporter of Hierarchy-Free sustain, intermediate managers can be motors of managerial innovation and are depositary of a relevant value added for organizations. This value added is represented by the capability to manage the five tensions exposed above. Thus, instead of eliminating them, the reflection should be focused on how their roles and practices can be redefined in order to be effective also in new forms of organization.

3.4.2.3 Sense management

The sense management theorization is the result of managerial researches conducted by Bardon and Arnaud. In particular, after having identified the principal obstacles in the implementation of not only Hierarchy-Free, but of any kind of managerial innovations in organizations, they proposed some recommendations to overcome them.

Below six “commandments” are synthesized. Those recommendations aims to help managers to give sense to their innovation and to share this sense with people that are confronted to that.

They are useful to conceive differently managerial innovation, and to take into account the human challenges associated to their implementation (Arnaud et al., 2015).

- **Be careful to universal solutions:** The fact that some of the processes of innovation, such as the hierarchy-free implemented in many companies, has generally worked does not mean that they will work in any kind of situation. It is fundamental to adapt the managerial innovations to the history, the culture and the specificities of the company where they are going to be implemented.
- **Be careful to the gap between narratives and practices:** Especially in the first steps of the implementation of an innovation, managers and top management should pay attention to not create cognitive dissonances within the organization. This means that their daily actions must be coherent with the institutional discussions carried out. That is why symbolic actions (such as the elimination of reserved parking spots and implementation of glasses offices) are relevant in order to give sense to the Hierarchy-free philosophy.
- **Be careful to the paradoxical actions:** It is not effective to install managerial innovations making tabula rasa of the cultural and economic values of the organization. It is necessary to build them on the current context so that they can be coherently implemented. For instance, let’s hypnotize the implementation in a company of human practices for which managers are closer to their teams. Training programs are implemented in order to achieve this objective and expectations consequently arise among employees. All these actions can generally work, but they can become paradoxical actions if managers have got too demanding business objectives and they are not be able to be more relational with employees.
- **Be careful to the “all entrepreneurs” solutions :** It is not realistic to ask to all the employees to behave as entrepreneurs, given that:
 - They could refuse to engage themselves because they want to avoid responsibilities;
 - They do not have the potential to go out of their routine and comfort zone;

- They could be interested in using the autonomy given to favor their personal interests.

For instance, this is the reason for which the participation to Communities of Practices should be voluntary. Because otherwise forcing not engaged employees to participate and discuss around innovation could be useless or even detrimental.

- **Be careful to the “all technology” solutions:** Technological solutions such as communication platforms or project management platforms are helpful to manage the challenge of coordination within the organization but they can create rigidity and suffocate creativity. Technologies should consequently be implemented complementarily with the human factor, so that a good compromise is established and they become just a tool of support and not a mechanical practice.
- **Be careful to the lack of accompaniment:** Generally an organization that decides to implement an innovation is structured on three layers: a top management that has a vision on the challenges associated to the project of change but not on the operational reality; intermediate managers who work on the translation of the global objectives in local challenges and an operational layer. Given this framework, the global change objectives cannot be deployed in a one best way, but they should be carefully decomposed and translated in local challenges thanks to a management of proximity of intermediate managers. In addition, the intermediate managers should also be representatives of the counter narratives that can come from the operational layers, and report them to the top management so that the values and the logic of employees can be integrated into the process of innovation.

In conclusion, managerial innovations can make their contribution to the performance of the company if they create sense for all the actors they influence, and if they take into consideration the human factor and not only generic logics.

3.5 THE RESULTS

After having defined Hierarchy-Free, the focus is on the results they generate on the company business and organizational performances. In particular, this chapter will include two sections:

- **The benefits** of implementing a Hierarchy-Free. Here both the qualitative and quantitative benefits will be discussed;
- **The drawbacks and risks** of implementing a Hierarchy-Free. Also in this case there will be an assessment of the business quantitative drawbacks and of the risks/limits of this form of organization.

As far as the quantitative results are concerned, it is important to underline that it is difficult to identify a link of causality between the implementation of Hierarchy-Free organizational practices and their impact on the business performances of the company. Indeed, in general, organizational actions are just one of the several levers that affect business results. Anyway, a general overview of companies' evolution after the implementation of Hierarchy-Free will be provided.

3.5.1 The Benefits

The first focus will be on the benefits on business performances.

3.5.1.1 *Benefits on business performances*

The study of the literature and case studies (Getz et al., 2009, 2010, 2012, 2014, 2015) allowed us to identify this quantitative improvements of company performance after the implementation of a Hierarchy-Free. As said into the introduction of this chapter, these information are not univocally linked with Hierarchy-Free organizational practices, but they are useful as well to assess an order of magnitude of the consequences of the phenomenon. The profiles of the companies mentioned will be described in chapter 4. Below some relevant examples are presented.

Company Name	Business Results
<i>Poult</i>	<ul style="list-style-type: none"> - +12% market share in two years
<i>Semco</i>	<ul style="list-style-type: none"> - From a turnover of 35 million dollars to 212 million dollars in six years; - From 450 to 3000 employees in six years; - 1% of organizational turnover in 2004.
<i>Favi</i>	<ul style="list-style-type: none"> - Significant reduction of quality and delivery anomalies
<i>Morning Star</i>	<ul style="list-style-type: none"> - Double digit growth of volumes, revenues and profits vs an industry average of 1%
<i>Gore & Associates</i>	<ul style="list-style-type: none"> - 4200 to 8400 employees in 30 years; - From a turnover of 300 million of dollars to 2.1 billion of dollars in 30 years; - +15% annual growth rate. - It has been in the ranking “100 Best Companies to Work for in America” since its inception.
<i>USAA</i>	<ul style="list-style-type: none"> - From 3000 to 22000 employees in 40 years; - Ranked #1 for Customer Service by Business Week in 2007-2008; - Has been in the “100 Best Companies to Work for in America”
<i>Sun Hydraulics</i>	<ul style="list-style-type: none"> - For three years in a row has been in the Fortune 100 fastest growing small public companies and on the forbes 200 best small companies list

Company Name	Business Results
<i>Quad Graphics</i>	<ul style="list-style-type: none"> - From a turnover of \$154 million to \$2 billion in 20 years; - From 11 to 12000 employees in 20 years; - Was on the “100 Best Companies to Work for in America”
<i>Chaparral Steel</i>	<ul style="list-style-type: none"> - From a turnover of \$297 million to \$580 million in 26 years; - Was on the “100 Best Companies to Work for in America”
<i>Harley Davidson</i>	<ul style="list-style-type: none"> - From a turnover of \$295 million to \$5,7 billion in 23 years; - Was on the “100 Best Companies to Work for in America”
<i>SOL</i>	<ul style="list-style-type: none"> - Turnover from \$130million to \$203 million in 3 years; - #2 spot among cleaning companies in Finland in 2009
<i>Vertex</i>	<ul style="list-style-type: none"> - From 30 to 600 employees in 15 years; - Turnover from \$10 million to \$100 million in 15 years - In 2009, 6% organizational turnover compared to 16% for the industry in the region
<i>Sea Smoke Cellars</i>	<ul style="list-style-type: none"> - Ranked among the 100 Best Wines in the World in Wine Spectator in its first year and for four years straight
<i>Chronoflex</i>	<ul style="list-style-type: none"> - Organizational turnover from 25% to 16% in 1 year;

Company Name	Business Results
	<ul style="list-style-type: none"> - Absenteism from 13,2% to 9,2 % in 1 year - Steady growth of sales despite market crisis

Table 3.6 Positive Business Results

3.5.1.2 Benefits on individuals and organization

In the following, a list of qualitative benefits on a Hierarchy-Free organization will be provided. This aims to be just a synthesis of what has been already observed directly or indirectly in the previous chapters.

First, the adherents to the Hierarchy-Free movement as well as other managerial innovations, sustain that Hierarchy-Free forms of organization can lead to a social deal that can align individual interests with collective one (Arnaud, 2015).

Indeed, as far as individuals are concerned, Hierarchy-Free grants first an increase of **autonomy**, with a consequent increase in **responsibility and professional conscience** linked to the mastery of the job. Furthermore, this form of organization allows to have an **enlargement and enrichment of individual competences** that allow also **better career opportunities** both inside than outside the company. Even if not necessarily employees desire to progress in their current organization given that the concept of Hierarchy and job definition is not applied anymore, and given that they are already responsible in their position (Gilbert et al., 2013). The empowerment of employees generate a consequent increase of **individual flexibility and holistic thinking approach** (see paragraph 3.3.2.3). Finally, Hierarchy-Free grants an improvement of **personal critical capacities**, consequence of adopting a culture of common sense instead of a control and procedural one (See paragraph 3.3.3.2) and a general **satisfaction and personal development** of employees.

In the same time Hierarchy-Free also contributes to the improvement of the collective performance of organizations because it allows an improvement of the **social climate of the company**, including simplified relationships among employees and their responsible, as well as among employees themselves and increase of solidarity among employees. Moreover it increases the **proximity with**

clients thanks to the divisional structure by team dedicated to single clients, who in Hierarchy-Free are usually at the really core of the company functioning. This generates obviously also a better **client satisfaction**. It also generate a relevant increase of **company agility and flexibility** as well as an important **reduction of costs of control and structure**. This form of dynamism is fundamental for a better reaction to competition dynamics and for the reinforcement of the **organizational resilience to crisis** (Getz, 2012). Hierarchy-Free allows also an important improvement of **innovation**, thanks to internal initiatives carried out such as communities of practices (See paragraph 3.3.4.2), to the risk-taking and tolerance values, to the decrease of approval procedures and to the valorization of initiative taking. In addition, the companies adopting this form of organization experience a **decrease in formalization** of procedures and a consequent faster decision-making process. Finally, Hierarchy-Free nurtures also a strong, solid and respected **company culture**, thanks to the higher level of commitment and to the higher sense of belonging and solidarity, and preserved thanks to the constant actions of reinforcement of leaders and top management.

3.5.2 The drawbacks and risks

The phenomenon of Hierarchy-Free has several limits as well. All of them must be carefully taken into consideration before proceeding to its implementation, because overlooking some of them can lead to an organizational failure, how has already happened for some companies. As the former chapter, some examples of negative performances following the adoption of Hierarchy-Free will be proposed, and just after the main risks identified will be described as well. The risks will be clustered in psychosocial risks, organizational risks and other types of risks.

3.5.2.1 *Examples of negative results*

Also in this case, the profiles of the companies mentioned will be detailed in chapter four.

Company Name	Business Results
<i>Zappos</i>	<ul style="list-style-type: none"> - Increase of organizational turnover to 30% in two years after implementation of Holacracy; - Retaliations and dismissal of part of the managerial body
<i>Morning Star</i>	<ul style="list-style-type: none"> - 50% of the new hires quit the company in two years, due to adaptation difficulties
<i>Harley Davidson</i>	<ul style="list-style-type: none"> - After the CEO Richard Teerlink, who has implemented a Hierarchy-Free form in Harley Davidson between 1981 and 1999, has left, the company came back to a traditional hierarchical functioning
<i>Medium, Emesa, Realize, Backstop Solutions Group</i>	<ul style="list-style-type: none"> - The companies abandoned the implementation of a Holacracy due to excessive internal critics or important performances drawbacks.

Table 3.7 Negative Business Results

3.5.2.2 Psycho-social risks

This category of risks includes problems that can mostly affect the individuals in the Hierarchy-Free. The first, and the most common is the **stress**. Indeed, one of the consequences of more responsibility and autonomy is an increase of pressure, and then, of stress. This can also be accentuated by the constant social control deriving from operating in an open and transparent environment. According to (Guihéneuf et al., 2015) the pressure generated by the “Liberation” is linked to four types of costs:

- **Cognitive costs:** Being more engaged and proactive on the workplace, but also the constant communication within the organization, implies an intellectualization effort concerning the job and a verbalization of working situations.
- **Politic costs:** Every employee must regularly provide information for the collective benefits.
- **Social costs:** the collective decisions discussed in chapter 3.3.3.2 imply also the chance of discussions and contrast with colleagues. The relationships among the members can then be worsened.
- **Responsibility costs:** Linked to the pressure to bear due to the engagement and the entrepreneurial attitude.

Then, there is the risk of **passivity of employees**. In fact, it can happen that employees are not at all willing to bear the autonomy costs described just above, and they can persist in doing their job doing just what is sufficient, and avoiding initiative taking. Furthermore, not all the managers could have the capability to become leaders in the Hierarchy-Free. And one of the main reasons is linked to **ego problems**. In the case of Favi for instance, a common reaction among managers that have been asked to renounce to their hierarchical position and become team coordinators has been resistance. They saw the change as a pauperization of their professional profile and they did not accept the idea that employees could take decisions instead of them. Due to this, part of the managerial body has left (Gilbert et al., 2013). Finally, according to (Bardon et al., 2015), probably the most relevant psychosocial risk is tied to the **identification to the Hierarchy-Free culture**. Indeed, Hierarchy-Free proposes an ethical point of view for which the personal satisfaction should pass through work. All the values analyzed lay the basis for an idea of organization that ask to employees to employ their cognitive energy on the workplace, because this can lead to their personal satisfaction. The problem becomes consequently ethical; does enterprises should take care of personal satisfaction? What if individuals prefer to conceive their job just as a mean and find their personal satisfaction in other spheres of life? This is an important problem that can undermine the functioning Hierarchy-Free, because if employees, leaders or top management do not adhere to this ethical vision of valorizing work as a mean of satisfaction and personal development, they will not respect the values, and the organization could collapse.

3.5.2.3 *Organizational risks*

This category of risks assesses instead some risks that concern the organization as well as

organizational and managerial practices. In particular, a first risk can be related to the **change resistance**. The drivers of resistance to change can be multiple: ego, fear, uncertainty, lack of identification with the new culture, lack of self-esteem or organizational inertia and habit to former practices (Getz et al., 2012). That is why it is important to carefully plan a change management program to deal with all those risks. Change management practices are described in chapter 3.4.2. Then there is the risk of **long adaptation time**. Due to change resistance the time necessary for the organization to adapt to the new functioning can be excessive, generating important loss of business opportunities.

Moreover Hierarchy-Free can also experience **resistance from the support functions**. Support functions are heavily impacted by the implementation of Hierarchy free (see chapter 3.3.1): their roles are partially or completely absorbed by the autonomous teams. Thus, they can react negatively, retaliate, and resist to the change. (Collectif des Mécréants, 2015). Another risk is represented by the fact that if the **size of the organization** is important, there could be problems in managing the change over all the employees that belong to it. There could be difficulties linked to communication, values transmission, excessive complexity and culture preservation. This problem will be furtherly discussed in chapter 5.

Moreover another risk can be the **absence of inter-peer supervision**. As discussed in chapter 3.3.2.3, given that in Hierarchy-Free there is an absence of control, transparency and communication allow employees to supervise among themselves. The risk is that they can avoid doing that because they could not be used to supervise and then therefore they could not feel at ease in overlooking colleagues work. If this does not happen, the system can become rapidly obsolete.

Another important limit to explore is linked to the **country culture**, because Hierarchy Free also in this case Hierarchy-Free could have to face resistance. Hierarchy-Free movements have been born in North America, which is characterized by a high level of individuality and liberality. It has been transmitted in Europe where, in France for instance, has already found some resistance linked to the fact that French culture is already more collectivist as a country and the influence of bureaucracy is strong. What about the implementation of Hierarchy-Free in other cultures, for instance the Asiatic ones, which are the most collectivist in the world? This matter is currently subject to open debates (Bardon, 2016). Finally, a last risk identified is the **loss of specialization due to replicated functions**. The absorption of staff functions into teams, but in general the division of the traditional

functioning structure into autonomous teams raises the problem typical of divisional organizations: the loss of specialization. Indeed having multiple organizational units in which the same function (for instance sales management, quality control, maintenance, finance etc...) is replicated, instead of having a single function common for all the organization, can negatively affect economies of learning and generate then a loss of efficiency and specialization.

3.5.2.4 Other types of risks

This last category includes risks that does not belong to the former two. These can be for instance the **security leak**. One of the founding values of Hierarchy-Free is transparency: employees have access to sensible strategic and financial information (see paragraph 3.3.2.3). Logically, one risk associated is that the probability that these information can be shared also outside of the company increases (for instance in case an employee quits the company and is hired by the competition). Another risk associated to complete transparency and communication is that employees can be **overflowed by information**. This can generate confusion and sense of uncertainty. Finally, as discussed in chapter 3.3.3.2, the collective decision-making brings advantages but can also generate problems if not properly managed. Indeed, without an effective coordination from a team leader, the discussions among team members can degenerate, increasing significantly the **time necessary to agree on a decision**.

It is then interesting to reflect around some possible strategies of risk mitigation, when possible. Some of them have been already treated throughout chapter 3, some other have been discussed during some interviews with Professors Arnaud and Legrand from Audencia. Both category of risk mitigation are gathered together and presented in chapter 5.

3.6 CONCLUSIONS

In this chapter, Hierarchy-free have been explored under different aspects. It has been seen that it is a phenomenon that has been approached with different names and movements, which comes from academics and professionals that are far one from each other, confirming in a way the thesis of Laloux that Hierarchy-Free is assuming the shape of a new paradigm.

The drivers that lead to the arise of a Hierarchy-Free has been examined as well. The liberation can be triggered by a single reason or a cluster of different reasons depending on the case. It is by the

way common that the liberating leaders implement their Hierarchy-Free conception following an empirical and experimental pattern.

The features that distinguish a Hierarchy-Free from the other forms of organization have been summarized in the matrix of chapter 3.3.5. It is important to underline that not all the companies go through all the steps, and even more important, every company implement each element in a different way, which is most suitable to the environment in which it operates. This observation contributes once again to the conclusion that it does not exist a “one best way” to define a Hierarchy-Free, and this means that there is a wide scope of configuration possible, with different degrees of “liberation” intensity. By the way, the underlying principles are the same and if properly identified, can help to understand the functioning of the organization observed.

A similar conclusion can be drawn observing the implementation process: even though some general guidelines can be identified, there is not a best process to implement a Hierarchy-Free. What has been described in chapter 3.4.1 is a general framework, but companies can obtain similar results applying it in different ways. By the way, what can be assessed with certainty is that all organizations that decide to switch from a more traditional organizational form to a Hierarchy-Free, require some specific change management efforts. This practices, as it is possible to see in chapter 3.4.2, focus mainly on accompanying employees and ex-managers to understand the new perspective that are offered to them, so that they can find a sense in it.

Finally, as far as the results that this form of organization can generate, it has been studied that there are several benefits that affect the organization as well as the individuals. These benefits concerns mostly engagement, innovation, flexibility and client proximity. The overview of the business results provided confirms also that, even if it is difficult to really establish a link between organization practices and business results, many companies have improved their performance since the implementation of a Hierarchy-Free. On the other hand, it is fundamental to be conscious that it is a risky process. Indeed, there are several individual and organizational risks that have to be considered because if ignored and not mitigated can degenerate in problems leading to an organizational failure. Also in this case, evidence has been showed that not all the Hierarchy-Free implementations have led to a positive outcome.

At this point, in order to progress with the analysis of Hierarchy-Free and consolidate its understanding, it is important to see what are specifically the companies that implemented this

organization: to which industry they belong, from which country and in which year they have been performed under a Hierarchy-Free organization. It is then also interesting to observe how the principles explained until now are concretely applied on real company cases. These elements will be discussed in chapter 4.

4 EMPIRICAL OVERVIEW

This chapter aims to provide an empirical picture of the companies that have adhered, or still are applying, Hierarchy-Free forms of organization. It will include as well two case studies descriptions of two companies already mentioned in the thesis, Chronoflex and Favi. Thus, this section will be structured in two sub-sections:

- 1) Sample of companies analyzed
- 2) Case studies.

4.1 SAMPLE OF COMPANIES ANALYZED

In the following, the objective will be to study in which industries Hierarchy-Free has been implemented, on which companies, for how long and in which countries. Thus, sort of “identity cards” of the companies analyzed will be provided, reporting some schematic information.

This list not exhaustive at all, it is just a sample composed by relevant cases. It includes companies that have been studied for this thesis at different level of profundity: some of them have been analyzed in dedicated case studies; some others have been just reported as examples in the study of the literature. The number of cases implementing until today is way bigger than the one provided here: according to (Getz et al., 2016) there are about three hundred “Entreprises Libérées” just in France, and according to Robertson more than five hundreds companies all over the world are running a Holacracy.

Company Name	Hierarchy-Free CEO	Hierarchy-Free Approach	Country	Industry	Implementation Period
<i>Chronoflex</i>	A. Gérard	E. Libérée	France	Hydraulic Repair	2010- Today
<i>Favi</i>	J.F. Zobrist	E. Libérée	France	Pressure die-casting	1989 - Today
<i>Poult</i>	C. Verkaeren	E. Libérée	France	Biscuits	2001 - Today
<i>IMA tech</i>	C. Collignon	E. Libérée	France	Client assistance	2012 - Today
<i>Mecabor</i>	M. Long	E. Libérée	France	Metal hydraulic blocks	2014 - Today

Company Name	Hierarchy-Free CEO	Hierarchy-Free Approach	Country	Industry	Implementation Period
<i>Procionov</i>	S. Desjonquères	E. Libérée	France	Pharmaceutical	2013 - Today
<i>Lippi</i>	F. Lippi	E. Libérée	France	Wire mesh and metallic portals	2014 - Today
<i>La Maif</i>	P. Demurger	E. Libérée	France	Insurance	2016 - Today
<i>GSI</i>	J. Raiman		France	Payroll computer services	1971 - 1995
<i>SEW Usocome</i>	M. Munzenhunter	E. Libérée	France	Electric motors	2008 - Today
<i>Bretagne Atelier</i>	J.M Quéguiner		France	Auto-parts supplier	1975 - Today
<i>Harley Davidson</i>	R. Teerlink		U.S.A.	Motorcycle	1986 - 1999
<i>W.L. Gore & Associates</i>	B. Gore		U.S.A.	Teflon-Based products	1958 - Today
<i>Nordstorm</i>		E. Libérée	U.S.A.	Retail	
<i>Whole Food</i>	J. Mackey		U.S.A.	Bio products distribution	1980 - Today
<i>USAA</i>	R. McDermott		U.S.A.	Insurance, banking, financial services	1968 - Today
<i>Chaparral Steel</i>	G. Forward		U.S.A.	Metal distributor	1982 - Today
<i>Zappos</i>	T. Hsieh	Holacracy	U.S.A.	Online shoes seller	2000 - 2009
<i>Morning Star</i>	C. Rufer		U.S.A.	Bulk tomatoes manufacturer	1990 - Today
<i>Sun Hydraulics</i>	B. Koski		U.S.A.	Screw-in hydraulic cartridge valve	1972 - Today
<i>IDEO</i>	D. Kelley		U.S.A.	Industrial design	1978 - Today
<i>QuadGraphics</i>	H. Quadracci		U.S.A.	Commercial Printing	1986 - Today
<i>Intertech Plastics</i>	N. Ginsburg		U.S.A.	Injection and molded plastic	1980 - Today

Company Name	Hierarchy-Free CEO	Hierarchy-Free Approach	Country	Industry	Implementation Period
<i>Vertex</i>	J. Westphal		U.S.A.	Consulting	1990 - Today
<i>Richards Group</i>	S. Richards		U.S.A.	Advertising agency	1976 - Today
<i>Semco</i>	R. Semler		Brazil	Consulting	1980 - Today
<i>Oticon</i>	L. Kolind		Denmark	Hearing aid	1988 - Today
<i>SPF Belgium</i>	V. Lagrange		Belgium	Mobility and transports	
<i>Ministère sécurité sociale</i>	F.V. Mastenhole		Belgium	Social security	
<i>Sol</i>	L. Joronen		Finland	Cleaning	1993 - Today
<i>SAS Group</i>	J. Carlzon	Jan Carlzon Model	Sweden	Airlines	1981 - 1994
<i>HCL Technologies</i>	V. Nayar	Vineet Nayar Model	India	IT Services and IT consulting	2005 - Today

Table 4.1 Sample of Companies Analyzed

Source: Getz, 2009, 2012, 2016. ESC Clermont, 2016.

In addition, many more examples of Hierarchy-Free companies, and in particular of Holacracies, can be found on the website of Holacracy (www.Holacracy.com) and on the website of Structure & Process, an international consulting and collaboration design studio, founded by Martina Röhl (<http://structureprocess.com/holacracy-cases/>). According to these sources, Holacracy organizational models in the world are more than five hundreds.

Observing the cases provided, some important conclusions can be drawn regarding Hierarchy-Free forms of organization:

- As it is possible to see, the third column of this table refers to the Hierarchy-Free approach formerly adopted by the companies listed. In many cases, especially the one from United States, there are no formal approach declared linked to the companies. Indeed, many of those cases have taken place before the formalization of any approach concerning

Hierarchy-Free. Anyway, it is relevant to mention and study those companies due to the Hierarchy-Free practices implemented.

- They are mostly present in North America, where the movement has born, and in France. According to (Bardon, 2016), the presence of Hierarchy-Free in the United States is coherent with the country culture. Indeed, North America is a country where there is a high level of liberality and individuality, which favor the growth of a Hierarchy-Free form. In France, the situation is different, because the country is more collectivist and it is characterized by a higher level of formalization and bureaucracy. Hierarchy-Free in France represent a reaction, a *catalyzer* (Bardon, 2016) that embodies the desire to “liberate” from the excessive rigidity of the traditional organizational forms.
- There are not any cases recorded of the phenomenon in Asiatic countries. This can be probably explained by a cultural resistance, linked to the high level of collectivism typical of Eastern countries.
- Hierarchy-Free development is not linked to a specific industry. As it is possible to see from the table above, forms of Hierarchy-Free have been developed in very different industries.
- Some of the companies mentioned, have implemented a Hierarchy-Free model for a long time. To date, the most ancient one are Gore (59 years), USAA (49 years), Sun Hydraulics (45 years), Richards Group (41 years), IDEO (39 years), Semco and Intertech Plastics (37 years) and Chapparral Steel (35 years).
- The Hierarchy-Free movement has started later in Europe, in respect to America, where according to Getz, we register the first episodes of real “liberation”.

4.2 CASE STUDIES

The idea of this chapter is to have two complete and concrete examples of the application of the theory concerning the features of a Hierarchy-Free, described in chapter 3.3. The cases chosen are Favi and Chronoflex, two French companies belonging to two different industries that decided to undertake the pattern of *Entreprise Libérée*.

In order to facilitate the comparison, and to adhere to the theory discussed before, the two case studies will be structured according to the same structure used in chapter 3.3. Thus, the analysis of

the two case studies will be made according to four perspectives, which make Favi and Chronoflex different compared to traditional organizations:

- The Organization;
- The Values;
- The Organizational and Managerial practices;
- The Internal Initiatives.

4.2.1 FAVI

FAVI is a pressure die-casting company specializing in copper alloys that currently employs 406 people. The company designs, optimizes, smelts, machines and assembles copper alloy pieces. The founder and the former CEO of FAVI was Jean-Francois Zobrist. The company headquarters are in Hallencourt, France.

In 2010, FAVI generated a turnover of €75.5 million, 32% from export markets. Today, FAVI generates 80% of its turnover through the automotive sector, supplying one in two cars in Europe with gearbox forks on a sub-contractual basis. As an European industry leader, FAVI supplies almost all European automobile manufacturers (Renault, PSA, Fiat, Opel, Audi, Volvo, Volkswagen, etc.). In a sector in which the threat of delocalization is very real, only the quality of the company's products, its specialist skills, and its competitiveness (with the exception of the evolution of the cost of raw materials, FAVI has not increased its prices since 1995) can explain its current success.

In the following, the analysis of the case according to the four dimensions differentiating a Hierarchy-Free:

4.2.1.1 *The Organization*

- **Organizational design:** FAVI organization is based on the system of “mini-usines” (in English: mini-plants). Each mini-plant is dedicated to a single client, it is led by a leader and can contain from 20 to 35 operators. There are consequently only two hierarchical levels (the factory director and the ‘leaders’ of the 12 mini-factories). Engineers and specialists accompany the mini-plants in their work, covering the areas that are not treated by the

production teams: R&D, lean management and continuous improvement practices. The CEO and the top management of the company monitors and support the organization, takes care of the major issues and not covered problematics and look for new business opportunities. The support functions, which were procurement, quality control, maintenance, finance and HR, originally were separated from the mini-plants. Starting from 2004, they have been all included into the autonomous teams.

- **Team functioning:** Teams are composed by three types of roles.
 - **The Operator:** He is the core of the mini-plant. He is autonomous: he is responsible in managing the supplies, he has the freedom to make decisions in real-time and he is responsible for the maintenance. In addition, he is continuously encouraged to improve the quality of the working conditions.
 - **The Leader:** the leader is supposed to do the role of the supporter and the coordinator of the team: he listen to the needs of operators, and support them to be autonomous. Moreover, he receives the orders from clients and decides the amount of personnel required on each request. He is usually a previous operator that shown managerial capabilities and is elected by the team. He has to ensure the respect of the environment and of the working conditions, manage the recruitment and take care of accidents.
 - **The Salesperson:** Each salesperson in the mini-plant is responsible of just one client, and follow him all along his life-cycle. The salesperson is an intermediate interface between the client and the production team. His office is in the mini-plant, so that when the client comes to visit him for working meetings he can meet the operators of the mini-plant dedicated to him. The salesperson is responsible of embody all the layers of intermediate communication between client and production, fastening the order evasion.

- **The working environment:** Zobrist eliminated all the symbolic signs of power: the window from which the ancient director supervised the employees from his office, the time keeping of employees work procedures, the locked warehouses, the hierarchical levels, the separated meals between operators and leaders, the reserved parking spots etc....

4.2.1.2 *The Values*

Guided by the imperative of protecting local jobs and safeguarding the company's future, FAVI is convinced that the key to success is to ensure that it is organized, via the mini-factories, with the aim of serving its clients uppermost in mind. Jean-François Zobrist coined the motto 'Par et pour le client' ('By and for the client'). In order to motivate the teams, Zobrist understood that was not effective to act on the human being but on the environment that nourish him.

Innovation is the key value in FAVI. In particular, FAVI innovation strategy is based on three principles:

- **Product-market innovation:** Favi has a competence-based strategy. In other words, the company exploits its key competences in order to launch new products. Owing to its specific expertise, which consists of molding copper alloys at temperatures in excess of 1,000 degrees centigrade, FAVI has, over the course of its history, successfully developed a series of product market innovations.
- **Continuous improvement in processes** and the certification of those processes. Over the years, FAVI obtained several ISO and ILO OSH certifications.
- **Work organization innovation:** thanks to the production management system based on mini-factories. This innovation has been rolled out gradually over a period of 25 years.

The absence of monitoring and the autonomy provided to operators highlights also the importance of trust in FAVI organization.

4.2.1.3 *The Organizational and Managerial Practices*

- **Liberating Leader:** See paragraph 4.2.1.1.
- **Decision-making:** As already stated, the decision-making almost completely belongs to Operators and it is collective, favored by the strong peer-to-peer relationships. Operators are autonomous and responsible of many operational tasks, except for recruiting and strategic decisions, which are mostly made by leaders and top management.
- **Dispute resolution:** When there is a dispute, usually the team members take care of solving it on the field. Rarely happens that the intervention of the CEO to solve the dispute is required.

- **Recruitment and training:** Leaders usually take care of the recruiting. They define the hiring requirements and they conduct interviews.

As far as training is concerned, a large number of training courses are offered to FAVI's employees (regulating equipment settings, quality control, safety, etc.) and in-house training is provided by the most experienced operators. Training on innovation practices are provided by external parties to leaders and operators. The interns and the new hired are coached by the operator on their job. In particular, during the initiation process of new recruits, several initiatives such as workshops, meetings and regular interviews are organized to explain and formalize the vision and values of the company to the incoming employees. Everybody, especially the CEO, is supposed to be a culture-keeper.

- **Remuneration:** Shortly after joining the company, Zobrist got rid of all bonuses and incorporated the average bonus amount into basic salaries. This bonus represents 7% of the profit before taxes. Under this collective bonus system FAVI employees are paid 13 or 14 months of salary over the course of the year. Moreover, there are individualized forms of remuneration in the shape of various 'trophies' solemnly and publicly handed out, during carefully organized ceremonies, to deserving employees. Employees appreciate these bonuses because they reward their spirit of initiative and are coherent with the culture of the company, in which innovation plays a central role.

4.2.1.4 *The Internal Initiatives*

- **Empowerment oriented:** A large number of meetings between mini-factories and their clients are organized into FAVI headquarters or on client sites. Similarly, study trips to Japan, Poland and Latin America have been organized for around 20 salespeople, leaders and operators every year in order to discover how successful foreign firms work. Conferences, training sessions, and visits to trade shows and enterprises were regularly organized to 'bring the outside inside' and find new ideas to increase productivity, improve quality and unearth new market opportunities.
- **Innovation oriented:** Operators are encouraged to run "Progress Projects". These projects can improve quality of products, productivity, security, or work conditions. Every month, a jury hands out prizes to two of these "Progress Projects" (a €1,000 first prize and a €500 second prize), and at the end of the year the mini-factory that has suggested the largest

number of ideas receives a reward. The jury is composed of a group of leaders, salespersons and operators, which change every year.

4.2.2 CHRONOFLEX

CHRONO Flex is a company headquartered in Nantes, in the West of France. It was created in 1995 based on an innovative concept: a technician driving a fully equipped repair truck intervenes on-site to repair hydraulic hoses on public works machines. The idea is to provide a fast service that reduces downtime of the equipment. After a decade of rapid growth, the company faced stagnation in 2008 and financial difficulties in 2009. That year, it experienced a 34% drop in sales and had to downsize. After downsizing, CHRONO Flex had 180 trucks and 220 employees remaining. In 2010, Alexandre Gérard attended a conference by Jean-François Zobrist, the director of the Favi foundry, famous in France for its liberation leadership. He was convinced by this approach to management and decided to “liberate” his own company. Later that year, he read Isaac Getz’ book “Freedom, Inc.” which gave him additional insight into liberation.

In the following exactly as in the Favi case description, the features of Chronoflex Hierarchy-Free organization are explored through the framework provided in chapter 3.3.

4.2.2.1 The Organization

- **Organizational design:** The organigram of Chronoflex changed from a hierarchy of six levels before 2012, to a leaner organization of two hierarchical levels: the top management composed by a General Manager, a CEO and a CFO; and an organizational level composed by autonomous teams called “Speed-Boats”. Support functions exist as well, but they are on the same organizational level as the operating teams and they are also organized in autonomous teams led by a leader. The top management has the role of supporter, given that most of the decision-making is decentralized. According to Gérard: *“our job - the three of us – is to plan the emergence. (...) Planning the emergence is confronting the company with a topic at a time when you think it is mature enough to handle it. For example, last summer, the three of us thought the company was mature enough to handle pay raises through the group. So we put forward the thing.”*

- **Team functioning:** In Chronoflex there are seven typologies of teams, which will be quickly described hereunder. Every team elects a team leader for a three-years period.
 - 27 teams of **Technicians** (each one dedicated to a specific region). These teams are called “speed-boats” and their team leaders are called “Captains”. They make all the decisions concerning their organization and their operations autonomously: they manage the hiring processes, they decide over the investments, the commercial actions and they take all the operational decisions concerning the repairs. Everything is managed in transparency: They draft their personal Profit & Loss statement which is shared within the team, everybody is aware about costs and ROI of investments. Everybody in the team is encouraged to be entrepreneur.
 - 1 team called **Operational Pool**: This team is leaded by the General Manager and it is composed by two coordinators and four operational advisors. They are based in the headquarters of Chronoflex. The role of the coordinators is to coordinate the captain activities over the regions and they have also other coordination tasks such as the organization of events. The operational advisors are former technicians that have from 12 to 19 years of experience, and are in charge of coaching captains: they advise them and follow them over their activities, replacing them when necessary.
 - 2 **Sales teams**: One is sedentary and it is composed by category sales managers: they manage specific segments of the market (For instance spare parts) and it’s based in the headquarters; the other one is composed by technical sales representatives assigned to a specific region.
 - 1 team called **Customer Relation Center**: It is composed by seven employees who handle the calls from clients.
 - 1 team of **Technical services**: They handle purchasing and spare parts.
 - 1 team of **Human resources**: They are four and they handle: Legal procedures, payments and other administrative tasks. The HR are responsible of receiving and transmit the CVs, but the recruiting and training procedures are managed by the technical teams themselves.
 - 1 **Accounting department**

- **Working environment:** A task force was created to review the layout of the headquarters. It created an open space that is shared by most departments. It has redecorated meeting rooms, reviewed the layout of the canteen and recreation room. In addition, Headquarters employees are allowed to work remotely whenever they want to. The only constraint is to organize themselves with their other colleagues, to be available over the phone, and to be present on the premises on Mondays and Thursdays. CHRONO Flex is also experimenting with monitoring the mood of its employees. An application has been created where people can click on a smiley face to express their mood. The data is aggregated to show a map of France of moods.

4.2.2.2 *The Values*

The company vision statement is “The passion of doing business to make yours successful” and four shared values:

- Reach performance through happiness
- Cultivate your customers love
- Build a respectful and responsible team
- Be open-minded and keep your mind open.

According to Gérard, these values set a framework that allows employees to self-regulate. The basic assumption to make it possible is that employees have to agree and respect these values since the beginning. That is why initiating and reinforcing actions are constantly carried out.

In addition, the management by trust it is fundamental for the functioning of the organization. Indeed, the decision decentralization carried out in Chronoflex could not exist if the top management would not believe in the positive intentions of their employees and in their positive behavior because of that intention and of their abilities.

Concerning communication and transparency, in Chronoflex there is a free flow of information. Everybody can consult the financial information of the company, the boards are open to all employees, and an internal social network, called “Nocio” has been implemented in Chronoflex to facilitate the information exchange. The relationships among all the employees of the company are

also incentivized thanks to periodic initiatives such as the “Annual company meeting” or the “monthly restaurant” that will be detailed in chapter 4.2.2.4.

4.2.2.3 *Organizational and Managerial Practices*

- **Liberating leader:** Leaders in Chronoflex, according to Gérard, have three missions:
 - **Direction:** They are supposed to share, consolidate and respect the company vision and values.
 - **Know-how transmission**
 - **Coaching:** Leaders are supposed also to support and coach the employees belonging to their team, exploiting the knowledge they already developed thanks to their consolidated experience.

Leaders are then incentivized to listen, facilitate decisions and support employees. At the same time, they should also incentivize the initiative taking, questioning the propositions and intervention employees to stimulate the reflection. Furthermore, one of the principles that is being encouraged within the company is the right to make mistakes. For team leaders, it means that they are expected to let their teams make their own decisions even if they think it is a mistake so that they can learn from it.

- **Decision-making:** The decision-making at Chronoflex is decentralized. The reasons at the core of this decentralization are that operators that work on the field know better the job and the collectivity of the decision making in teams can lead to more robust decisions. The decisions are collectively among employees in the teams but also among captain assemblies. Those meeting take place every six weeks with the top management and decisions are taken with 75% of consensus. Anyway, even if the traditional management is abolished, important decision that can put in danger the company (“The below the water line “decisions”) can be managed by the CEO with the top management.
- **Dispute resolution:** Dispute resolutions in Chronoflex is solved among peers. In case of complicated cases, the intervention of leaders can be required.

- **Recruitment and training:** While the HR department is in charge to publish the offers, receive the CVs and run the legal and administrative procedures, the interviews are done within the teams, who has the final decision whether to hire or not the recruit.
As far as training is concerned, new recruits are trained during a four weeks period. Two of these weeks are on the field, accompanying the technicians during their daily work. The other two weeks are in the headquarters, and they spend part of their training time with the CEO and the top management which explains them the company spirit, what is expected from them, the mission and the values. At the end of this session, the CEO offer to the recruits, who have been properly trained, a severance check of 1000 euros if they decide to leave the company at that point. This practice is made in order to test the real motivation of the recruits to work into the company.
- **Remuneration:** remuneration system in Chronoflex called “3 times 15”. According to this system 15 % of the profit generated by each technician is variable; 15% of the profit generated by the team is equally split among team members; 15 % of the whole company profit is equally shared with all the organization;

4.2.2.4 *Internal Initiatives*

- **Social oriented:** Once a year the CEO and the general manager take a trip around France to meet with the technician in each region. Headquarter employees are encouraged to join those meetings as well. This allows both Alexandre and Jérôme to meet all employees at least once a year. In addition, once a year there is the “Annual company meeting”, The objective is to have people meet and share information and also open up to other companies. Anybody is allowed to present any topic they want as long as it remains below 15 minutes. Also, he regions each have a budget so that all the technicians can meet over a meal once a month. This initiative is called “Monthly restaurant”.
- **Empowerment oriented:** Once a year, employees can spend a day with any other employee to discover his/her job. “We offer “live my job” days on the anniversary of joining the company. That day belongs to the employee who can “nourish” him/herself by discovering the daily work of another employee, supplier or client.

- **Innovation oriented:** In Chronoflex two initiatives are carried out to support innovation. The first one is called “In-Lab”. In-lab is an incubator recently created where everyone can propose his ideas to a group and, if able to convince, can obtain expertise and resource to put the idea in place. The second initiative is called “Task Force”. The task forces are groups of volunteers from any department within the company that discusses around a topic with the aim of improving working practices or to propose and discuss new initiative. Conference calls are put in place so that the technicians and other remote employees can participate in the same way as headquarters staff. Examples of such task forces are trucks layout, technician outfits, offices layout, employee well-being, new projects/services, and catalogue. The task force chooses a leader to coordinate its activities. The group is free to make any decision it sees fit, as long as it is within the predetermined budget.

4.3 CONCLUSIONS

Thus, according to the empirical picture described, Hierarchy-Free is starting to be an established trend. The movement has born in North America, and it is consolidating itself in Europe, especially in France. It does not concern a set of specific industries in particular; instead, it can be identified in the most different domains. This trend is existing since fifty years ago, even if it has been formalized in 1995.

It is also interesting to notice how the Hierarchy-Free philosophy can be implemented in two organizations that belongs to different industries, but to the same country culture. Even if the principles underlying the form of organization are the same, the ways through which they are deployed on the organizational layout, the support functions, recruitment, remuneration and internal initiatives can be different. This contributes to confirm what stated in chapter 3: Hierarchy-Free is not implemented according to a specific framework, each case is suited to the context, the history, the culture and the experience of the company where it is implemented.

Another consideration concerns the degree of “liberation” of the two company cases studied. In order to practically asses this aspect in a coherent manner, the matrix in chapter 3.3.5 can be used. According to these matrix, the more features of a Hierarchy-Free a company adopt, the higher its degree of liberation will be. In particular, it is possible to asses that both Favi and Chronoflex represent a case of a high degree of liberation. Indeed, they reflect most of the elements concerning

the organization, the values, the practices and the initiative of a Hierarchy-Free. Anyway, some differences exist: for instance, while Favi is more radical in the suppression of Hierarchical layers and support functions, Chronoflex still keep some light presence of hierarchy. But it is also possible to asses that the attitude toward innovation of Chronoflex is more marked compared to Favi: Chronoflex has implemented relevant innovation internal initiatives such as the task forces or the incubator In-Lab, which are not present in Favi

At this point of the thesis, once the phenomenon of Hierarchy-Free has been framed and discussed, the objective will be to go further into the discussion and to lay guidelines for possible future studies. The first step will be to think about how to overcome the limits of this form of organization.

5 HIERARCHY-FREE RISK MITIGATION STRATEGIES

In chapter 3.5.2, the main risks associated with the implementation of a Hierarchy-Free have been listed. They have been clustered in three categories: Psychosocial risks, organizational risks and other types of risks. The objective of this chapter is to identify some guidelines to mitigate the risks described in the three categories.

As stated in the methodology described in chapter 1.3.2, the subjects and the concepts treated in this chapter are the result of personal forethoughts and interviews carried out with Thibaut Bardon and Céline Legrand, two associated professors of Audencia, specialized on management and managerial innovation.

The risk mitigation guidelines will be proposed deployed according to the following structure:

- Psycho-social risks mitigation
- Organizational risks mitigation
- Risk mitigation for other types of risks.

5.1 PSYCHO SOCIAL RISKS MITIGATION

Psychosocial risks concern at a first stance the individuals within a Hierarchy-Free organization. As showed in chapter 3.5.2.2, the main psychosocial risks identified are four:

1. Stress
2. Passivity of employees
3. Ego of the manager belonging to the former organization
4. Identification with the Hierarchy-Free values

The very first step in order to reduce the impact of these risks is to identify the individuals in the organization that can manifest one of the problems described above. In order to do that, a systematic screening could be conducted over the organization. This research could help to understand which employees experience stress linked to their autonomy; which ones are not motivated to do more than what is necessary on the workplace; which managers believe that the

implementation of the Hierarchy-Free can be a pauperization of their job and who do not identify with the values and the philosophy of the Hierarchy-free.

The identification of the people experiencing one of these four problems is important not only because it can be useful to find out sources of inefficiencies or resistance in the medium or long term, but also because each one of the four categories of psychosocial risks should be handled with a different strategy. Thus, it allows organizing different forms of psychosocial risk mitigation, proposed below:

- 1. Stress mitigation:** the stress deriving from the cognitive, politic, social and responsibility pressures could be alleviated thanks to a regular and effective accompaniment. This accompaniment can be carried out on two levels. First, on an organizational level, through for instance collective trainings and share of competencies to empower and train the employees to allow them to have the intellectual resources necessary to be autonomous. On a second stance, an individual accompaniment could be proposed for those who need it, in order to solve the psychosocial problems linked to specific personalities. This could take the form of personal coaching from leaders or more experienced employees if the problems concern more the nature of the job, or a support from psychologists if the problems are instead more linked to psychological reasons such as self-esteem or anxiety.
- 2. Passivity mitigation:** The phenomenon of passivity on the workplace has been studied through numerous experiments of social psychology. It is also called “Bystander effect” (Darley et al., 1968). From a change management perspective, the bystander effect can be counterattacked by having employees feel the social pressure to accept a new change. People follow a “herd mentality” as it relates to conforming to a group’s behavior, so an interesting strategy could be using statistics and good news stories of change adoption to influence behaviors. Secondly, the change initiatives should be communicated by having as many one-on-one conversations as possible. To broadcast information, truly focus on the “what’s in it for me?” messaging. And since people only retain about 10% of written information, it is important to make the messages short, concise, memorable (Bridoux, 2016).
- 3. Ego risk mitigation:** Managers showing resistance because the reformulation of their job in the Hierarchy-Free is perceived as a step back in their career can be classified as “Naysayers”. Thus, on one hand their opposition could be handled following the recommendation of

conflict management theories such as the Interest based relational approach to conflict resolution (Fisher et al.,1981) and “Naysayer” management (Porter, 2016). On the other hand, instead of being too radical and completely transform their role, a good practice could be to rethink with them their new role in the organization, taking into account all the value added that intermediate managers can bring. Further details concerning the value added of intermediate managers to value into Hierarchy-Free organizations are provided in chapter 3.4.2.2.

- 4. Non-identification with Hierarchy-Free values:** This case is the most complicated to handle. Indeed, it concerns the personal ethical perspective of individuals. And this perspective cannot be managed. In other words, if an employee consciously believes that work is just a mere mean to earn money necessary to live and he searches his personal satisfaction and development in other domains, he won't accept the responsibilities and the engagement asked by the Hierarchy-Free. The individuals belonging to this category represent a real limit of Hierarchy-Free, because as explained before, non-identification with the company values can lead to important inefficiencies. And the fact that a change management strategy cannot be applied in this case leaves Hierarchy-Free with an untreated important weak point that is still subject to many debates and discussions, especially in France.

Finally, all the four cases of psychosocial risks, except the fourth one, can also be mitigated thanks to the general change management strategies explained in chapter 3.4.2. Indeed, the sense management (3.4.2.3) and the organization reconstruction through storytelling (3.4.2.1) provide frameworks of recommendations that could help facing the resistance and “counter-narratives” coming from stressed, passive or ego-centered employees. The Kotter model (Kotter, 1995) is also another interesting approach to take into account into the change management program planning.

5.2 ORGANIZATIONAL RISKS MITIGATION

Organizational risks are described in chapter 3.5.2.3. They are:

- Change resistance
- No inter-peer supervision
- Resistance from support functions
- Loss of specialization due to replicated functions

- Long adaptation time
- Country cultural resistance
- Excessive size of the organization

Risks of **change resistance, the absence of inter-peer supervision and the resistance from support functions** are problem linked to the impact of change on organization. Thus, a solution to these three typologies of risks has been already presented during this thesis, and it is represented by the change management strategies (3.4.2).

The risk of **loss of specialization due to replicated functions** arises due to replication of autonomous teams. Indeed, each one of these divisional entities dedicated to client or products include functions and expertise, which are replicated several times. What is loss then is the specialization typical of functional structures, where a single function serving all the organization allows developing faster economies of learning and of scale, thanks to the knowledge, competence and resource sharing within the unique function. A first consideration to do regarding this risk, is that the strategy should vary according to the level of delocalization of the functions concerned. As it has been seen, there are companies such as Favi that suppress completely support functions, others, such as Chronoflex, which instead just moderate their role. A possible strategy to mitigate this risk, without losing the team deployment typical of the Hierarchy-Free is the implementation of Communities of Practices. CoPs should be proposed with different focus according to the level of delocalization of the Hierarchy-Free. CoPs, as described in chapter 3.3.4.2, are *“Group of individuals sharing a common interest in a specific topic and gain knowledge about such a topic by practicing long enough together”*. Thus, they are an important mean to share knowledge, improve practices and propose innovations that could close the gap between the replicated functions in the several teams. For instance, a CoP on the topic of maintenance, collecting all the employees which have dealt with maintenance and belonging to different teams, allows to improve the maintenance practices and enlarge also the employees competencies on maintenance thanks to the discussions and the information sharing within the maintenance CoP.

The risk of having an **excessive adaptation time** to the Hierarchy-Free organization can decrease according to three elements related to the change management strategies described in chapter 3.4.2:

- The intensity of change management initiatives (i.e. if the frequency of change management initiatives is high and regular, employees will be better trained to face the change and the adaptation time can consequently decrease)
- The timing of change management initiatives. (i.e. if the change management program is planned to be carried out before the organizational change takes place, employees will be already prepared to face it, and the adaptation time can decrease.)
- The effectiveness of change management initiatives (i.e. obviously even if change management strategies are carried out at the right moment and frequent, they won't help employees to face the risks if they are not effective and carefully planned)

Thus, acting on those three dimensions of change management can mitigate the risk of excessive adaptation time.

Risks of **excessive size of the organization** and **country cultural resistance** are currently studied. Currently there are not many cases of big companies or companies belonging to radical different cultures in respect to the one presented in this thesis and the literature on the subject appears not to be significant. Thus, these could be interesting to dedicate further researches on these two topics.

5.3 RISK MITIGATION FOR OTHER TYPES OF RISK

The other types of risk are described in chapter 3.5.2.4. In the following, a possible risk mitigation is proposed for each of the three risks identified.

- **Slow decision-making:** The problem of collective decision-making in Hierarchy-Free is that it can degenerate into discussions that can consequently bring to a delay of the decision. The solution to this risk has been already indirectly provided, and it is the coordinator leader. Indeed, the leader can coordinate, clarify and stick to the team objectives and solve disputes when they arise. This way, inefficient discussions can be redirected and positive exchanges optimized. Anyway, it is important that he continuously embody the values of a Liberating Leader (chapter 3.3.3.1) to be still coherent with the Hierarchy-Free functioning.
- **Information overflow:** The simple solution to the overflow of information due to the complete transparency is the categorization and organization of information. This means exploiting the possible communication systems (chapter 3.3.2.3) to group information in

intuitive and representative categories. This way, employees would be able to access to any kind of information in the Hierarchy-Free, selecting the domain and the topic they need from clear and user-friendly layouts.

- **Security leak:** As in any other form of organization, there are no solutions to the security leak. Aside from implementing all the legal and privacy procedures, including the non-disclosure agreements, the organization cannot prevent an employee to change company and disclose somehow the information obtained during his stay in the Hierarchy-Free,

5.4 CONCLUSIONS

As already directly or indirectly discussed during the thesis, some of the risks identified can be mitigated, for some others the mitigation is difficult, or in some cases, not possible. For instance when employees do not identify with the Hierarchy-Free ethical perspective. Anyway, most of the risks can be mitigated through change management practices. This consideration underlines once again the importance of a careful, suitable and effective change management program.

The risks linked to the size of the organization or the country culture, for which there is not enough empirical evidence to allow to propose a proper mitigation strategy, suggest already two of the many possible aspects of the Hierarchy-Free that could be furtherly studied or experimented.

To continue the theoretical extension of the Hierarchy-Free phenomenon, it is interesting to study and provide a definition of agile organizations, and to see how their flexibility can be a further evolution of Hierarchy-Free toward client needs satisfaction.

6 POSSIBLE FURTHER EVOLUTIONS

The aim of this chapter is to analyze a possible further evolution of the Hierarchy-Free trend. The absence of Hierarchy already assures agility and flexibility to the company adopting the Hierarchy-Free, thanks to the faster decision-making, the client orientation and the enlargement of competences of employees. The objective now is to explore how this agility can be furtherly stretched to the extreme, in order to make the Hierarchy-Free even more oriented and reactive to the client needs.

This chapter will first present the “Outside-in” perspective explaining how it can be interpreted as a form of agility. Moreover, it will describe, according to the same framework used for Favi and Chronoflex, the company case of Semco, a Brazilian company led by Ricardo Semler, that it is an application of this outside-in perspective and a relevant example of organizational agility.

6.1 THE OUTSIDE-IN PERSPECTIVE

The Outside-in perspective has been presented by Don Smith, the founder of the consulting company FutureSmith. Don Smith is a Certified Business Process Professional (CBPP) and Certified Process Expert (CPE) and holds a Bachelor of Arts in Management and Organizational Leadership from George Fox University. Don speaks, teaches and consults around the world.

According to Smith, the outside-in perspective is what really makes an organization agile. He studied and formalized this theory observing many companies such as HP, IBM and Microsoft, understanding which organizational behaviors they adopted to recover their business performance multiple times and adapt to the changing environment, all over their long company life cycle.

In order to better understand an agile organization from the perspective of Smith, it is necessary to define what doing business means according to the traditional perspective. Business is defined as “A person, partnership or corporation engaged in commerce, manufacturing or a service; profit-seeking enterprise or concern”. This means that the traditional way of seeing business imply the definition of a company as an organization with employees, headquarters, processes and resources following a defined mission to provide products or services in predetermined industries. On the contrary, according to (Drucker, 1954), to really know what a business is, it is necessary to start with

his purpose. And *“there is only one valid definition of business purpose: to create a customer”*. Still according to Drucker, customers can be created just providing something that it is valuable for them, so going further it is possible to say that *“Business means creating value for the customers”* (Drucker, 1954). Thus, in order to understand which business is running a company, it is necessary to look the business from the outside of the company, from the point of view of customers and market not from the inside as the traditional definition of business suggests. The definition of a business must consequently start with the customer reality: his situation, his behavior, his expectations, his values and his needs. This perspective is called Outside-in and it is opposed to the most common point of view called Inside out.

According to Smith, companies generally adopt an Outside-In perspective in the first stage of the company lifecycle: the entrepreneurial stage. During this stage, companies arise with the aim of satisfying a customer need. Commonly, there is a switch to the Inside-out perspective already during the growth stage. Indeed, if companies manage to make customers, they start to grow and become more complex, experiencing problems concerning capital, supply chain, labor, cash flows and other resource constraints. At this point, organizations usually enter in the problem-solving mode to solve those inefficiencies, and often they make internal problems a problem for the customers. What often happens is that organizations get too wrapped in solving the organizations’ problem forgetting that the main purpose is solving the customer problems. During the maturity stage, the internal perspective usual goes on to develop, because the growth in size of the company translates in a hierarchical organization that add managerial layers between the decision-makers and the client, undermining once again the definition of business. A simple application of the outside-in perspective during this stage is represented by Tesco, who runs twice a year a program called TWIST, for which all the managers have to work on the front-end positions in order to get really in touch with the reality of the customers and get consequently more conscious about their decisions. The maturity stage usually fosters complacency and sometimes arrogance: companies are too focus on their internal situation and refuse to see the ever-changing nature of customers’ needs and behaviors. This reality can be even more critical nowadays where environment and market are changing at a much faster pace. Concerning the decline stage, according to (Olson and Van Bever, 2009) companies get into a stall, because their lack of outside-in perspective lead the customers to search for the value they need elsewhere. The results of this stall in one-third of the case is a full recovery of the company, in the other two-third they get acquired, taken private or forced into

bankruptcy. While in the second case usually organizations fall into denial of their situation or panic, generating the following result of acquisition of bankruptcy, in the first case companies adopt again an outside-in perspective, focusing again on the client and managing to reinvent themselves and recover their performances. IBM is a classic example of a company going through multiple stage of reinvention. IBM switched from electronic tabulator to mainframes in 1956. In 1985, they starting to produce Personal Computers to adapt to the changing attitudes of the market. The most remarkable market switch happened in 1993 when IBM hired Low Gerstner, who, with only 100 days of operating cash remaining, created the brand Lenovo that continued the IBM tradition of personal computer production, and created IBM global services, which is the consulting part of IBM providing business solutions. This switch is exactly what the market was expecting, and IBM has been able to avoid the crisis.

The conclusion of Smith is that in order to avoid the decline phase or in general a decrease of performances, a company should be agile and adopt an outside-in perspective. But even better, a company should not wait to the situation where the crisis is incoming to react and switch to an outside perspective. It should be always on the top of the game identifying the inside-out behavior being constantly aware and careful about its functioning, and change them into outside-in ones.

6.2 SEMCO CASE

Semco Partners is the successor to Semco Group, a centrifuge manufacturer founded in the 1950s by Antonio Curt Semler. In the 1980s Antonio's son, Ricardo Semler, took over the firm, modernized management practices, and expanded the company's range by moving heavily into the service sector, including environmental consultancy, facilities management, real estate brokerage, and inventory support.

During this expansion, the company worked with a variety of technology partners and developed a sophisticated joint venture model that combined Semco management practices with the partners' expertise and product lines. This fusion of skill sets created the business model that has been so successful in the Brazilian market.

It is interesting to describe the Semco case for the flexibility, agility and transformation adaptability of this company under the lead of Ricardo Semler. Semco can be consider a suitable example of a

company which has made the outside-in perspective the source of its success. According to Semco *“For the 20 years I’ve been with the company, I’ve steadfastly resisted any attempt to define its business. The reason is simple: once you say what business you’re in, you put your employees into a mental straitjacket. You place boundaries around their thinking and, worst of all, you hand them a ready made excuse for ignoring new opportunities: “We’re not in that business”. So rather than dictate Semco’s identity from on high, I’ve let our employees shape it through their individual efforts, interests and initiatives”* (Semco, 2000).

This philosophy is reflected on the history of Semco: at the start of the ‘90s, semco was a pure and simple manufacturer of products such as pumps, mixers and dishwashers. Over the years they diversified into higher-margin services. In 10 years, 75% of their business was dedicated to services. How is it possible to get a sizable organization to continuously change? Hereunder an example told by (Semler, 2000):

“[During the 90’s] one of the thing we did was manufacturing cooling towers for large commercial buildings. (...) the customers kept complaining about the high cost of maintaining the towers. So our salespeople came back to Semco and proposed starting a little business in managing cooling-tower maintenance. (...) well, the little business was successful. We reduced customers’ costs and eliminated some of their hassles, and they were happy. In fact, they were so happy that they came back and asked if we’d look after their air-conditioning compressors as well. Even though we didn’t manufacture compressors, our people didn’t hesitate. They said yes. And when customers saw we were pretty good at maintaining compressors t, they said, “you know, there are a lot of other annoying functions that we’d just as soon off-load,, like cleaning, security and general maintenance. Can you do any of those?”. At that point our people saw that their little business might grow into a quite big business. They began looking for a partner who could help bolster and extend our capabilities.”

Thanks to the same entrepreneurial spirit, the absence of control and regulations, the freedom and the initiative of employees and especially the partnership capabilities, Semco has been able to explore many other industries such as the real estate but also the digital industry.

Semler has been widely criticized over years for his extreme and radical managerial practices, which makes the business model of Semco difficult to replicate. Anyway, especially in the current business

landscapes in which companies are looking for increase their flexibility and creativity, some of the principles at the basis of the working functioning of Semco could be very useful.

In the following, a schematized description of the Semco leaded by Semler between 1980 and 2000 according to the framework provided in chapter 3.3.

6.2.1 The Organization

- **Organizational design:** Semco organization is designed as a circle. The management levels are reduced to three: one corporate level and two operating levels at the manufacturing units. It consists of three concentric circles:
 - o **The circle of counselors:** They are five, including the CEO and they integrate the movements of the company.
 - o **The circle of partners:** This circle is made by the heads of the eight divisions.
 - o **The circle of associates and coordinators:** This circle holds all the other employees. It is composed by associates, who do the research, design, sales, and manufacturing work and have no one reporting to them on a regular basis. It is made also by permanent and temporary team and task leaders Semler calls coordinators.

In Semco there are not support functions.

- **Team functioning:** The working teams are made by associates and coordinators. Coordinators are ex foremen, supervisors, managers, heads, or chiefs. The only people who report to coordinators are associates. Decision-making is collective within the teams and associates are autonomous, they can decide over their working conditions, they decide the roles inside the work-team autonomously. Moreover, associates have the duty to plan, propose and implement working projects that can suit themselves. The roles within the team change continuously, and when necessary team members can learn the job of other peers. There is a job rotation inside the team every two years.
- **Working environment:** Employees decide over their working hours. The only constraint is the coordination with the other team-members. This does not mean that people work less, but that they manage different their time, because they are treated as adult, they are responsible. There are no assigned offices, no rules or regulations and no dress codes.

6.2.2 The Values

Semco has three values on which thirty management programs has been based. These values are:

- **Democracy:** According to Semler, workers who control their working conditions are going to be happier than workers who do not, so the management style is participatory.
- **Profit Sharing:** 23% of each division after-tax profit is given to employees, that can decide whether to invest or take it.
- **Information sharing:** Transparency is at the core of the organization. All employees have access to all types of information, especially the financial one. So they can control what other peers do to avoid any kind of self-interest driven decision, replacing the control with a sort of social pressure.

In addition, the functioning of the company is also based on trust. There are no forms of control, or top-down directives. Employees are free and driven just by their responsibility and common sense. Then, there is also a strong entrepreneurial spirit supported by a culture of trial and error.

6.2.3 The Organizational and Managerial Practices

- **The liberating leader:** As already stated, the team leaders in Semco are represented by the coordinators. Their role is just to solve dispute, support, coordinate and coach, and facilitate the initiative taking of employees. They are constantly evaluated by their subordinates, and if their results are not positive, they are invited to leave their role of leader.
- **The decision-making:** The decision-making is participatory; most of the decisions are just taken by collective discussion within the team. Just the most strategic ones are proposed by Partners and Counselors and voted during a company-wide vote. In addition, decisions are no defined by norms and regulation, which belong to a rigid environment of control and distrust. They are instead inspired by the “rule of common sense”, that put employees in the demanding position of using their own judgement and assume personal responsibility. Their autonomy also allows them to decide over their remuneration. Finally, in order not to slow-down innovation and initiative, Semler has always strived to make as easy as possible for employees to propose new business ideas.
- **The dispute resolution:** In absence of regulation, dispute resolution is managed within the team, with occasional interventions from coordinators or partners.

- **The recruitment and training:** *“When you want somebody hired, let's say it's for a leadership position of some kind, you go to the system and you advertise that you think someone is needed. Then on a given day— say, Wednesday at 4 o'clock, meeting room 11— you say we're going to discuss this, whoever's interested. (...)The people who show up put together a template of what are the characteristics that person needs to have, and what is the weight of each of these characteristics. They'll then go looking for that person by putting an ad in the paper, or through a headhunter. And when the resumes come in, basically, whoever started the whole thing will distribute packs of these resumes to people, because there's no HR department to do it. (...)Now a lot of things happen in this process. Because 40 of us are looking at ten resumes each, or ten of us are looking at 40 resumes each, I'm going to locate people who are not ideal for this job but that could be ideal for another job, and that's something that disappears completely when an HR department does this, because they're basically screening between yes and no— it's a digital response. With our system, we're creating an analog response, meaning, maybe this person would be great for I don't know who, and then we send that curriculum vitae on to someone else. Once we've found ten who had an A-plus out of the 400, we will do a collective interview of all the candidates, which most people don't like, and which I found very strange in the beginning” (Semler, 2004).*
Furthermore, there is a continuous evaluation of employees and managers. Every six months employees are hired again after some interviews, meaning that their job is always at risk. This practice should encourage them to never abandon the entrepreneurial spirit.
- **Remuneration:** The remuneration include a share, collective part. Twice a year 23% of each division after-tax profit is given to employees, that can decide together what to do with it. In addition, employees can choose the way they are paid among eleven compensation options:
 1. Fixed salary
 2. Bonuses
 3. Profit sharing
 4. Commission
 5. Royalties on sales
 6. Royalties on profits
 7. Commission on gross margin
 8. Stock or stock options

9. IP/sale warrants that an executive chases in when a business unit goes public or is sold
10. Self set-compensation
11. Commission on difference between actual and three year-value of company

And because the options can be combined in different ways, there is a vast number of possible permutations.

6.2.4 The Internal Initiatives

- **Empowering oriented:** Twice a year Semco stimulate the job rotation within each division, in order to enlarge the competences of employees. Moreover, the new hired go through a program called “Lost in space” for which they spend from six to twelve months moving from a division to another so that they can identify the job that they prefer most. Then employees are also provided with classes on financial subjects so that they can be more prepared to read the information presented in the financial statements that they receive each month.
- **Innovation oriented:** Budget revision is carried out every six months to ensure that the business of each division is still profitable enough to have reason to exist. Otherwise, the partners are encouraged to start new businesses, moving the resources elsewhere.

6.3 CONCLUSIONS

The outside-in perspective and the agile organizations allow the company to be more reactive and oriented to the client needs. Indeed, its business it is no more defined starting from the internal of the company itself or from a definition of industry, but from the client expectations, behaviors, experience and needs. This perspective should be always taken into account with awareness, in order to avoid the vicious circle of control to solve internal problems. In addition, not necessarily this attitude should be undertaken when the company starts to experience decline and needs to recover, but it should be an ongoing practice.

The Semco case allows to observe a company that since the beginning has adopted the outside-in perspective. This has allowed the organization to survive and be performant for more than thirty-five years. Studying the company case, seven “lessons” can be drawn:

- Be constantly aware of the productivity of your business: question the necessity of its existence if the results are not satisfying;
- Never abandon the start-up innovation spirit;
- Do not treat employees as incapable of assuming responsibilities: recreate a working environment where they can freely express themselves;
- Implement initiatives that stimulate the enlargement and enrichment of competencies of employees, without forcing them into boxes;
- Simplify the decision process and the approval mechanisms of employees' ideas. The entrepreneurial spirit should be constantly stimulated;
- Partner promiscuously, in order to explore and launch new businesses quickly and efficiently.
- Avoid control, procedures and cage-up systems that enclose jobs into services, support or framed organizational unit. A company can be successful, as Semco has been for more than thirty-five years, without necessarily adopting the traditional way of doing business, but having trust in its employees.

7 CONCLUSIONS

7.1 INSIGHTS OF THE STUDY

A first conclusion to point out concerns the innovative nature of Hierarchy-Free. In particular, the historical excursus in chapter 1.5 demonstrates that most of the practices, the values and philosophies of Hierarchy-Free as they exist, and have been defined nowadays, have already been separately studied or implemented in the past. Thus, it is possible to confirm that the Hierarchy-Free movement is not an innovation, but the convergence, the synthesis of multiple organizational episodes or theories already previously existing. Of course, there is still an important difference because these organizational theories and episodes are adapted on a different period, with different technologies and contingencies compared to when they have been originally implemented or studied.

To summarize, this thesis has tried to answer to the five questions described in chapter 1.2:

- Why the Hierarchy-free forms of organization arise?
- What they are?
- How can they be implemented?
- Which results they imply?
- What could be the possible future developments?

It has been studied that Hierarchy-Free can be implemented triggered whether by a crisis, by an inefficient and slow organization, by the disengagement and the general un-satisfaction of the employees, or by a need of differentiation. The drivers of “liberation” can belong to just one of these four clusters, or, as it happens most frequently, they can be several and belong to different clusters.

Then the thesis allows to conclude that Hierarchy-Free is different compared to traditional hierarchical organizations according to four large perspectives:

- The organization: Hierarchy-free relevantly reduce the hierarchical layers, collapsing the organization into horizontal autonomous teams. Within the team, usually a leader coordinates employees. Employees are empowered, responsible and decide their role autonomously within the team. The working environment usually reflects the values of the

Hierarchy-Free: offices are designed as open spaces, working schedules are decided employees themselves and signs of power are abolished.

- The values: Values are the corner stone of Hierarchy-Free. The main differentiating values identified are gathered in six categories that are trust, transparency, wholeness, evolutionary purpose, human values and working values.
- The organizational and managerial practices: These practices concern for instance the features of the “liberating leader”, who is a supporter, coordinator and animator of team members. They also define an autonomous and common sense ruled decision-making, and a dispute resolution self-managed by the team. Finally, they also differentiate in respect to traditional organizations through alternative practices of remuneration, training and recruitment.
- The internal initiatives: These initiatives are operational and pragmatic ways to deploy the values of Hierarchy-Free. They vary according to the company considered, but generally, they can be grouped in four clusters: Empowering, innovation, information sharing and social oriented initiatives.

According to the studies, the observations and the interviews conducted, an important conclusion is also that it is not possible to provide a definitive and precise definition of a Hierarchy-Free organization, and in the same time, it is not convenient to predetermine a standard process of implementation and apply it regardless the environment of the company. Indeed, as it has been seen, every Hierarchy-Free has its specific features and each company has reached its Hierarchy-Free form in a different way, most of the time following an experimental way instead of basing on pre-existing cases or literature. This dynamic is also meaningful, because the organizational practices must be coherent with the company environment, and not applied in an universal way. Thus, it is logical that every case undertake a different pattern. Anyway, this thesis has aimed to identify and systematize the common features characterizing this phenomenon, providing a picture of the current situation that can at least stimulate multiple reflections.

As far as the implementation process is concerned, a synthesis of the literature has allowed to figure out a five-step process including the following phases: Incubation, opening of the campaign, hard restructuring, soft restructuring and preservation. Before, all along and after this implementation process, it is fundamental to keep in mind the sense-giving change management practices.

In general, the growing number of leaders that decide to undertake the pattern of liberation, and the positive results that have been showed in chapter 3.5, make the Hierarchy-Free a successful phenomenon and a developing trend. Anyway, the pattern of liberation is risky and difficult. Just to summarize, the main big difficulties that make the liberation complex are:

- The identification of employees with the Hierarchy-Free values and ethical perspective. This is a relevant problem to deal with, because as already said, if employees refuse to adhere to the binomial for which the personal satisfaction should correspond to the satisfaction and the engagement on the workplace, the Hierarchy-Free system loose its foundation of initiative-taking, autonomy and responsibility.
- The important change management effort. According to the literature, organizations are quite radical into the implementation of a Hierarchy-Free. And this radicalism implies a huge change, that must be consequently managed and planned with caution. All the change management initiatives need then many cognitive, organizational and also financial efforts to make the liberation successful. Nevertheless, even if there have been change management programs implemented, the results can be critical. As it has been described, there have been many cases of retaliation, critics and demission of employees from the company.
- The continuous effort to preserve the culture of the Hierarchy-Free. Without regular actions of culture-keepers, the probability that people in the organization exploit freedom, autonomy and trust to make self-driven decision increases. In the same way, especially the older employees can assume again behavior typical of a culture of norms and regulation to which they have been used to. An important identification with the philosophy of the Hierarchy-Free it is necessary in order to maintain its culture alive.

The radicalism mentioned above makes Hierarchy-Free forms of organization not suitable for every company and must be carefully assessed according to the contextual environment of the organization before proceeding to their implementation.

Finally, a last contribute of this thesis concerns some possible improvement guidelines for Hierarchy-Free organizations. The main guideline presented is the adoption of an outside-in perspective. This perspective should allow Hierarchy-Free organizations to be more agile and client oriented. A concrete example of its application is provided by the Semco case.

7.2 MANAGERIAL IMPLICATIONS

According to the studies on the literature, most of the times companies decide to undertake the pattern of Hierarchy-Free in a quite radical manner, deciding to intervene on all the perspectives described in chapter three. The leaders that are keen to rethink completely their organization as several companies have already done, should first reflect around all the themes and the perspectives that have been presented in chapter three. Indeed, before proceeding to the implementation, it is important to have a clear vision of what the organization is going to become and what principles should be followed, so that a careful implementation plan can be carried out. The presence, the commitment and the vision of leaders is relevant in the first phases of implementation, when Hierarchy-free need a strong direction given that the organization is still used to ancient practices and need time to adapt to new perspectives. Top management and leaders role during this first period is fundamental to convince them and share a new vision of the organization. After having laid the conceptual basis of the Hierarchy-Free design, there should be a preliminary reflection concerning all the risks linked to the implementation of Hierarchy-Free (which are described in chapter 3.5.2). Indeed, this step is important in order to plan the mitigation and change management strategies, which must be carried out in an effective way both before, during and after the process of change.

Even if the philosophy of Hierarchy-Free has been judged radical and extreme, it allows drawing some important lessons learnt points and managerial implications. Indeed, not necessarily all the singular practices, initiatives, values and organizational designs of Hierarchy-Free must have sense just in a “complete” Hierarchy-Free organization: they can be individually studied and implemented also in more traditional forms of organization. The extremism for which Hierarchy-Free have been frequently criticized (Collectif des Mécréants, 2015) can be considered an experimentation that allows analyzing some isolated outcomes generated by its implementation. Some isolated practices can be adopted in order to increase flexibility, increase engagement and innovation. These practices are for instance the organization of teams where employees have the resources to really employ their collective intelligence on the working practices. Also the reorganization of the offices environment to increase the employees comfort, or the flexibility of the working schedules. In addition, other isolated practices are represented by all the internal initiatives carried out in Hierarchy-free and described in chapter 3.3.4. These initiatives can help achieve aims of

empowering, innovation, information sharing and social cohesion. Finally, the change management practices such as the sense management and the intermediate manager redefinition can be useful also in traditional organizations that do not undertake a pattern of complete liberation but still are implementing changes concerning the organization that require a change management effort.

7.3 LIMITATIONS OF THE STUDY AND DIRECTION OF FUTURE RESEARCH

As every study, this thesis has some limitations. A first limit concern the empirical overview that has been conducted. Indeed, the companies analyzed, from which parts of the insights have been extracted, represent just a sample of the totality of the Hierarchy-Free companies currently existing. Furthermore, the case studied are all secondary sources, which means that the observations and the facts presented have been collected from other academics. In this thesis, there is not an empirical analysis on primary sources. Moreover, another limit is linked to the scope of the thesis: given that the objective is to provide insights concerning a trend, completeness has been preferred to profundity. This means that many of the subject mentioned such as motivation, trust, transparency but also the internal initiatives, could be furtherly detailed and analyzed, to allow a more comprehensive understanding. Then, this thesis does not take into account all the sources that treat and discuss aspects of Hierarchy-Free. Even if all the most relevant aspects have been touched, additional triangulations with other sources can strengthen the validity of the conclusions. Just to summarize, all these limits concern mainly the generalizability of the insights provided in this thesis, and they should be then taken into account in the future research to reinforce the work that has already been made.

The last considerations concern the future researches and literature reviews that can be made. As it has been analyzed in chapter 5.2, the phenomenon of Hierarchy-Free is currently studied in relation with the country culture and the big organizations. How can the Hierarchy-Free be adapted to Asiatic cultures? Which mechanisms to make Hierarchy-Free effective also in big corporations? The literature is not exhaustive yet on these two dimensions, and they can be interesting to be explored to generate new lessons learnt that can interest not only Hierarchy-Free, but any forms of organization.

Another subject that can be furtherly analyzed are the agile organizations. Chapter six draws just a basic representation of agile organizations. But it could be interesting to understand this topic in a

more systematic and academic way, given that it is really current and interesting, especially in the light of the growing complex and dynamic environment. Already many academics have studied it, and the amount of material produced can be an interesting focus of additional literature reviews.

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