Self-Managing Organizations in the context of Entrepreneurial Innovation

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Abstract

The aim of our thesis is to provide an insight into self-managing organizations (SMOs), particularly referencing holacratic and teal organizations, and connecting them with the consequent innovative process. Global markets are changing rapidly, and competition is increasing, as the pressure on companies to adapt to these fast-paced changes. There is an increasing demand for constant innovative idea flows to keep up with the dynamics of the global market economy. New flexible management tools are needed in order to maintain balance. Starting from the premise that SMO tools are part of the response to the dynamics of enterprises, we aim to outline how SMOs operate. We also analyse the innovative process within SMOs and try to answer whether innovation is inherently connected to holacratic and teal organizations. This will be achieved by conducting interviews on case subjects using qualitative analysis and elaborating on the findings to form a discussion. As this is a revolutionary new phenomenon that shifts the management's responsibility from one person to the entire organization, few companies as of yet have adopted this strategy. This adds limitations to our study but opens the door for further research.

Keywords

Dynamic Governance, Entrepreneurship, Holacratic Organizations, Innovation, Self-Management Organizations, Teal Organizations
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1.0 Introduction

The purpose of this thesis is to investigate innovative self-managing organizations also known as SMOs, with the key focus on studying holacratic and teal organizations within SMOs. Holacratic organizations are defined as governance structures “characterized by a distribution of power among self-organizing groups, rather than the top-down authority in the typical hierarchical corporate culture model” (TechTarget, 2015). Teal sees organizations as living entities, which are oriented towards realising their potential (Laloux, 2015). Our aim is to see how innovation prevails in these types of organizations. It is an interesting and important topic as it is a new phenomenon of how enterprises structure their organizations, enabling the whole organization to work together for the common goal of becoming more innovative (HolacracyOne, 2018).

What is a self-management organization? Today the most common forms of self-management organizations are implemented with the tools of holacracy and teal. According to Van De Kamp (2014), holacracy is a governance structure for companies, which thoroughly changes certain practices that have been built into organizations in the last century. These practices include: top-down hierarchy, bottom-up hierarchy, and cooperative structures. In each case, there is a need for management. Holacracy promises a lean adaptable organization, highly effective, distributed authority and purpose-driven work. As of 2014, only small and medium-sized enterprises (SMEs) have adopted this strategy. Teal is an evolutionary structure emerging as people seek more constructive, powerful and soulful ways to work together. The primary features of teal organizations include: anti-fragile organizational layout, purpose-driven strategies, and collective decision-making power (Andersson & Nordenson, 2015).

We know little about these models due to the fact that these techniques have been in existence for less than ten years and not much scientific research has been done in the field. Bernstein, Bunch, Canner and Lee (2016) state that leaders need to be both reliable and adaptable. This is because situations call for many small adjustments in production or manufacturing in order to meet local needs, while others call for fundamental shifts in strategy and capabilities. Organizational members should have a stable working environment, access to critical resources,
and clear goals and responsibilities. The idea for self-management teams originated in the 1980s. With the introduction of holacracy and teal, instead of focusing on self-management teams or flat line organizations, why doesn’t the whole company, organization, or institution become self-managed? (Bernstein, Bunch, Canner, Lee, 2016)

We will investigate through a defined research method with the aim of finding out if self-management organizations enable entrepreneurial firms to become more innovative by applying self-management techniques. The main constraints with corporate enterprises today concern organizational bureaucracy. We will argue that self-managing organizations empower staff to act on their own initiative to produce results, without a middle manager or company director guiding them.

1.1 Research Question

“By using self-management, do organizations become more innovative?”

To answer our research question, we will investigate and critically evaluate theoretical scientific journal articles around the areas of Innovation and SMOs, including holacracy and teal. By doing this, we will create a strong argument to find out if self-management is effective in innovation or not. We believe that investigating these insights will benefit organizations that are searching for radical ways to be more creative and innovative.

To prove our theory, we will undertake an exploratory study using a qualitative method of research. We divide our study into two phases: a pilot study and a research study. We will carry out a pilot study on existing four self-managing organizations to develop a clearer understanding of how SMOs operate. By doing this, we will create themes for our investigation. In the research study, we interview twelve SMOs, including holacracy and teal, to develop a clear understanding from a company’s perspective whether they become more innovative by introducing any of these organizational strategies and how. We would like to inquire why holacracy/teal is an appropriate organizational tool under specific circumstances.

The main findings and conclusions of this thesis are that even though SMOs are exceptional organizational tools, they are only applicable in practice (until now) to fast-paced growth start-ups and with an existing entrepreneurial background.
Moreover, the extent to which such management styles make organizations more innovative is quite subjective. The remainder of the thesis is structured as follows. First, a theoretical background of the related concepts which are SMOs, holacracy, teal, and innovation are discussed. Second, we discuss methodological approach. Third, findings are presented based on the data analysis. Then, we will discuss our findings based on the theoretical background and primary research. This thesis concludes with limitations, recommendations on future research and final takeaways.
2.0 Theory

In this section, we would like to provide the reader with a short “walk through” through the advancement of organizational development and innovation. We aim to briefly discuss bureaucracy and its challenges in the perpetually fast-paced environment of the global economies evolution. Later, we describe our secondary study on self-managing organizations, with a focus particularly on teal and holacracy and a brief introduction to sociocracy. There are limited scientific articles on self-managing organizations including holacracy and teal. Therefore, we will focus more on case studies and what is available to us.

Our investigative research is primarily based on two main areas, holacracy, and teal. However, in our data collection process, we found another form of self-management that one of our interviewees mentioned which is called sociocracy. But due to time constraints, we were unable to investigate this form further. This chapter ends by throwing light on innovation concept and the contribution of previous researchers on this particular topic.

2.1 Bureaucracy

In the previous section, we stated that the main constraints with corporate enterprises today is to deal with organizational bureaucracy efficiently. The most common managerial tool nowadays are hierarchical organizational structures that focus first on the effectiveness of the managers and second, on the team’s efficiency. It is considered that efficient managers will transform into efficient leaders who will benefit the whole team and therefore an entire organization. The responsibility of a successful team falls entirely on the efficiency of its manager, an authority figure that sets goals, directs plans and responds for to the activity of its team to other managers. A typical hierarchical structure is illustrated in figure 2.1. It is not the scope of our present thesis to compare and measure the efficiency of a traditional pyramidal management tool to a self-management one, neither the differences between leaders and managers - the literature in this field being quite proficient.

The figure 2.1 displays how most organizations today follow a traditional hierarchical structure. This structure is a top-down reporting structure. From the CEO to the directors, the line managers to the supervisors, the team leaders to the staff at
the bottom, the chain of command is followed. “An organizational structure is administered to delineate lines of communication, roles and responsibilities, policies and authority” (Structure, 2018).

![Traditional Hierarchical Structure](image)

**Figure 2.1: Traditional Hierarchical Structure**

When an authority figure decides the clear job tasks of an individual, it leaves automatically no opening for the individual to change or challenge what he/she is doing, bureaucracy leaves very little space for personal initiative. The personal initiative brings change, fresh ideas, and personal responsibility. It is certainly debatable whether a manager can be a good leader that effectively leads the team towards a common goal and whether this model may not, in fact, be effective. On the short term, this can be an effective tool in order to maximize profit. What happens when the markets demand innovation on a faster basis than in the traditional market economies? Where qualified personnel are scarce and expensive and the demand for goods and services is constantly changing? The shift is moved from the efficiency if the manager to the efficiency of the team which is composed at its turn from a diversity of individuals. A diversity of individuals with different backgrounds, cultures, and sets of values are more likely to create innovation than a single person and therefore adapt to the needs of a changing market (Cable, 2012).
2.2 Self-Management Organizations

Self-managing organizations (SMOs) are defined as those which radically decentralize authority in a formal and systematic way throughout the organization (Lee & Edmondson 2017). SMOs eliminate the hierarchical reporting relationship between manager and subordinate that serves as the core building block of the managerial hierarchy. This constitutes a key mechanism of control. In addition to that, all employees hold well-defined decision-making processes, thus giving them responsibility and autonomy side by side. Davis, Eisenhardt, and Bingam (2009) found out that velocity, ambiguity, unpredictability, and complexity are different environmental dynamics that affect performance. Increasing unpredictability leads to decreasing structure and low to moderately structure leads to the execution of tasks. Small organizations with little structure lack guidance to generate appropriate behaviors efficiently (Weick, 1993; Okhuysen and Eisenhardt, 2002; Baker and Nelson, 2005 cited in Davis et al., 2009). Yet, larger organizations with rigid structures are constrained and lack flexibility (Miller and Friesen, 1980; Siggelkow, 2001 cited in Davis et al., 2009).

Kurki & Willenius (2016) mentioned in their paper that organizing meetings have an indirect relationship with the new key technologies. As a result, new forms of management organizations are evolving: i.e. holacracy and teal. In this paper, authors aim to understand the effect of technological change through micro-level practices in work-life patterns. Bernstein and Raman (cited in Kurki and Willenius 2016, p. 1) stated that digital technologies have the same effect on human brain power as the steam engine and related technologies did to human brain during the industrial revolution.

Based on longitudinal surveys, less than 20% of Fortune 1,000 companies had team-based structures in 1980, compared with 50% in 1990 and 80% in 2000 (Ferenstein, 2014). He states that these companies aim to adopt a new management style to be more efficient and to achieve higher growth, through more efficient employees. This can be achieved as well through a new management style that divides the employees into small dynamic groups in which each group can take a decision and share in the decision-making process about the strategic plans regarding the company.
2.2.1 Teal Organizations

According to Andersson & Nordenson (2015), a teal structure is a new organizational paradigm which was created by Fredric Laloux in his book Reinventing Organizations in 2014. The idea of the teal organization refers to the next stage in the evolution of conscious development. Laloux (cited in Kurki and Willenius 2016, p.4) engages in an account on how the rise of complexity and unpredictability that has pushed organizations towards assuming new operational modes. According to Laloux, there have been five major perspectives in the history of human organizing. This is displayed by different organizational stages which can be found in figure 2.2. These stages are referred to as Impulsive is Red, Conformist is Amber, Achievement is Orange, Pluralistic is Green and Evolutionary is Teal.

**Exhibit 1: Evolutionary Breakthroughs in Human Collaboration**

<table>
<thead>
<tr>
<th>Color</th>
<th>Description</th>
<th>Guiding Metaphor</th>
<th>Key Breakthroughs</th>
<th>Current Examples</th>
</tr>
</thead>
</table>
| RED   | Constant exercise of power by chief to keep foot soldiers in line. Highly reactive, short-term focus. Thrives in chaotic environments. | Wolf pack | - Division of labor  
- Command authority | - Organized crime  
- Street gangs  
- Tribal militias |
| AMBER| Highly formal roles within a hierarchical pyramid. Top-down command and control. Future is repetition of the past. | Army | - Formal roles (stable and scalable hierarchies)  
- Stable, replicable processes (long-term perspectives) | - Catholic Church  
- Military  
- Most government organizations (public school systems, police departments) |
| ORANGE| Goal is to beat competition; achieve profit and growth. Management by objectives (command and control over what, freedom over how). | Machine | - Innovation  
- Accountability  
- Meritocracy | - Multinational companies  
- Investment banks  
- Charter schools |
| GREEN| Focus on culture and empowerment to boost employee motivation. Stakeholders replace shareholders as primary purpose. | Family | - Empowerment  
- Egalitarian management  
- Stakeholder model | Businesses known for idealistic practices (Ben & Jerry’s, Southwest Airlines, Starbucks, Zappos) |
| TEAL | Self-management replaces hierarchical pyramid. Organizations are seen as living entities, oriented toward realizing their potential. | Living organism | - Self-management  
- Wholeness  
- Evolutionary purpose | A few pioneering organizations (see "Examples of Teal Management") |

*Figure 2.2: Reinventing Organizations Framework*
The fifth stage being in its emerging state known as Teal. This new and emerging model - teal, comes with several important breakthroughs. Teal organizations are characterized by self-management, a concept of wholeness (where people feel free to express fully without the fear of being judged or bullied) and evolutionary purposes (all the employees in workforce define and drive the purpose).

Antipov, Akhmetzhanova, Antipova, Gazizulina, and Sharov (2017) described the principles of teal organizations as following:

1. The main asset of a company is the staff, they are also the key factor in the stable growth of the organization.
2. The company's business goals are not supported by traditional HR practices and management methods. Thus, traditional HR doesn’t contribute to stable development and success of a company.
3. The company receives a maximum of profit from the efficiency of its employees by fulfilling personal goals.
4. Self-management and self-motivation (internal motivation) of the employees are the key attributes of teal organizations.

2.2.2. Holacratic Organizations

After going through a scientific study on teal organizations, we discuss holacracy management style which is also self-driven. Yordanova (2014) states that holacracy is a management and decision-making process which is performed based on predefined rules which are found in the governance tactical meetings. This action is done by employees or volunteers of an organization with a focus on generating detailed specific plans. Her results show the advantages, as well as provide the key sectors where the method can be applied.

The concept of holacracy was created in the USA by Brian Robertson and Tom Thomison in 2007 (HolacracyOne, 2018). According to Omicsgroup (2017), holacracy is a social terminology and a system of organizational governance where decision making power and authority is delegated throughout organizational teams rather than consigned to top level management. The term holacracy is derived from Holarchy by Arther Koestler in 1967 in his book “The Ghost in the Machine”. It talks about holon which means the part and whole at the same time. An American philosopher and writer Ken Wilber extensively used the term Holoarchy. Holacracy
also drew inspiration from Brian Robertson term Sociocracy, which is a system of governance in the second half of the twentieth century. It inspired the development of circle structure and governance process within holacracy. Holacracy is designed for organizations and differentiates the organizational roles from the people working in it.

David Allen from David Allen Company, known for its revolutionary getting things done method, sees holacracy not as a universal solution; it won’t resolve all of an organization’s tensions and dilemmas. But in Allen’s experience, “it does provide the most stable ground from which to recognize, frame and address them.” (HolacracyOne, 2018).

Nowadays, organizations are facing many challenges, such as maximizing profits, minimizing expenses and finding the talented staff to keep things move seamlessly, these challenges are for both SMOs and larger corporations that require new and untraditional strategies. Therefore, many organizations regardless of size have adopted the holacracy model as to attain performance efficiency (Rampton, 2015).

Several companies operate in a knowledge-based economy where ideas and expertise consist of primary sources of value creation in contrast with the production of goods. There is a greater need for a knowledge economy for employees at all levels to assess information and ideas for a successful organization. Therefore, the tension model of the holacratic system is best suited to the entrepreneurship (Lee and Edmondson, 2017).

Dess, Picken, and Shin (2017) claim that leaders today have new management challenges, as there is more uncertainty and environmental changes i.e. economic stagnation, terrorism, Brexit etc. than before. These factors must be dealt with in order to manage a competitive advantage by “innovation, flexibility, responsiveness and the creative redefinition of markets, and opportunities” - the corporate enterprise’s application of knowledge-based capital and its approach to this strategy of management. This creates more capable leadership within the organization to create a better learning environment for all members of the organization by implementing a holocratic approach. Consequently, it will foster creativity at every level of the organization and become a learning organization. There are five elements of this organizational process:

1. Communicating a clear sense of direction and purpose
2. Empowering employees at all levels
3. Accumulating and sharing internal knowledge
4. Gathering and integrating external information
5. Challenging the status quo and enabling creativity

O’Shea’s (2016) dissertation evaluates defines leadership as abundant, confusing and interchangeable. Holacracy has distributed authority, self-determination, self-management and cooperative leadership. Shared leadership is the preferred choice for all participators. The main theme of holacracy is that of emotional intelligence that enriches the knowledge base of leadership theory, and the dynamic governance structure. Participants of the holocratic system felt that shared leadership was what they preferred over the traditional hierarchical system and all participants in this study “had a desire to be a leader at some stage”.

O’Shea (2016) recommends a qualitative study to present recommendations for a quantitative study on shared or distributed leadership, the key company to investigate would be Zappos. As they have the largest population of staff in operation of the holacratic system. The main themes to focus on should be leadership and self-management to find out the mechanics of meetings and decision making, as this plays a key role in leadership. The theme of the study should be focused on emotional intelligence. This study should be carried out on individuals who are currently working in a holocratic organization and those who have left one. When Zappos implemented holacrac in 2014, 14% of staff left the organization and 86% stayed. The media focused on these 14% that left, whereas no study has been done on the 86% of employees that remained. Holacracy includes the following elements as described by HolacracyOne:

1. A constitution, which sets out the rules and formally reallocates authority.
2. A new way to structure the organization and define member roles and responsibilities.
3. A unique decision-making process for updating those roles and their areas of authority.
4. A governing meeting process for keeping teams in synchronization and getting work done together transparently.
The complexity of daily businesses is solved not with a traditional top-down approach of leadership, but with a comprehensive and robust process of leadership that keeps all entities of an organization unified and aligned (HolacracyOne, 2015).

Bernstein, Bunch, Canner & Lee (2016) suggests that the biggest doubt policymakers and strategists raise about holacracy is its idea of non-hierarchical organizational structure. According to the researchers, in opposition to self-management, by introducing flat organizational structures, ambiguities arise. People will not be clear about their roles and duties. One’s strengths and self-confidence may be shattered by the extra responsibility, which may create a lot of unnecessary tension. This is the reason why Medium, a social media website opted out holacracy. Andy Doyle, the head of operations said that they will figure ways of blending tradition with innovative approaches and concepts.

In 2013, Zappos CEO, Tony Hsieh chose to adopt holacracy based on research that shows, that every time the size of a city doubles, innovation or productivity per resident increases by 15 percent. But when companies get bigger, innovation or productivity per employee generally goes down. Zappos is consequently structured more like a city, and less like a bureaucratic organization (Robertson 2015).

The holacracy self-management structure displayed in figure 2.3 below, clearly shows the structure of holacracy. As aforementioned, all members (employees, shareholders, and partners) of the organization are contained in a non-hierarchical structure. However, the organization is distributed in a series of circles. The whole organization placed in what is known as a super-circle illustrated - the outer-circle, this super-circle is divided into a company circle which is divided into several smaller circles (depending on the size of the organization), each of these circles is departments i.e. HR, Marketing, Finance, etc. These department circles are again divided into smaller sub-circles which usually are labeled as roles. Each circle has a facilitator, a secretary, a lead link and a second link. The facilitator leads each meeting (governance, tactical etc.). The secretary records all the communications of each meeting. The lead link communicates with other circles contained within the super-circle and the second link communicates with everyone within the designated circle they are contained in (Bernstein et al., 2016). This shows how holacratic structure is altogether different from traditional management structure.
Holacracy is basically based on the concept of continuous involvement of all employees despite its belonging to a certain circle. Peer to peer group meetings from all circles involve discussions on problems, opportunities, tensions, accountability, and expectations. It clarifies what the job tasks of an individual would be as well as the mutual expectations of colleagues. An employee is given freedom to take actions within their roles of responsibility (HolacracyOne, 2015).

### 2.2.3 Sociocracy

Sociocracy is a “system of governance which seeks to achieve solutions that create harmonious social environments as well as productive organizations and businesses” (Sociocracy, 2017). Sociocracy brings in new ideas, trends, warnings and dynamically connects them with the aim of strategic responsibility, caring for the whole organization with the quality and relevance of the products/services being produced. There are three fundamental rules to sociocracy that are described by Boeke (1945):
“The interests of all members must be considered, and each individual must respect the interests of the whole group. No action could be taken without a solution that everyone accepts and agree on. All decisions are unanimously made on these by the group.”

2.3 Innovation
Innovation research is vastly documented, there is abundant literature on technology advanced innovation and entrepreneurship. However, literature from the non-tech self-managing organizations in relation to innovation is limited. Crosscombe (2018) drives innovation from “innovate” in Latin, meaning to renew or alter however later on the term of innovation has been redefined as a never-ending pursuit of novelty. Although types of novelty have changed across history and throughout the globe, the desire for innovative ideas remains constant.

Anderson, Potočnik, and Zhou (2014) claim that creativity and innovation in the workplace have become an increasingly important determinant of organizational performance, success, and long-term survival. Since the external environment is changing so rapidly, there is a continuous need to innovate. The authors believe that as innovation and creativity are complex and emerging phenomena, they require skillful leadership to gain maximum benefit of new and improved ways of thinking and working. Anderson et al. (2014) proposed the following integrative definition:

“Creativity and innovation at work are the processes, outcomes, and products of attempts to develop and introduce new and improved ways of doing things. The creativity stage of this process refers to idea generation, and innovation refers to the subsequent stage of implementing ideas toward better procedures, practices, or products. Creativity and innovation can occur at the level of the individual, work team, organization, or at more than one of these levels combined but will invariably result in identifiable benefits at one or more of these levels of analysis” (Anderson et al, 2014).

Due to the general global pressure for faster decision making, companies are seeking ways to organize less hierarchically as to become agile, nimble and more innovative. Birkinshaw, Hamel & Mol (2008) define management innovation as the invention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to achieve further organizational goals. In the broadest term, management innovation can be defined
as a difference in form, quality, or state over time of the management activities in an organization, where the change is a novel or unprecedented departure from the past (Hargrave & Van de Ven, 2006; Van de Ven & Poole, 1995, cited in (Birkinshaw et al., 2008)).

In a rapidly transforming global market, organizations need to make effective moves towards innovation to remain in the competitive environment. (Steiber and Alänge 2015) verifies a comprehensive model for creating, diffusing and sustaining organizational innovation. They analyzed Google Innovation System (GIS) and found out that GIS focuses on continual innovation rather than on continuously improving quality and efficiency. Their study is valuable in analyzing whether this model can be applied to different natures of organizational innovations and to identify issues that adversely affect the organizational innovation process.

Depending on the service field, innovation is prioritized differently, for some companies, however, it is a top priority. Many managers look at successful innovators such as Apple Inc. and Google Inc. with envy, wishing their companies could be as innovative (Magnusson 2017). There are several ways to measure innovation as described in this article. For some, innovation is measured because of sales or outcomes generated from new products. Some companies seek innovation processes of a number of their ongoing projects. Some track innovation as the number of innovative ideas generated. While for others, innovation is considered to be an investment portfolio, considering that the investment percentage on innovative projects is in contrast to a new product or product line extensions.

The research was done by Magnusson and his co-researchers in 2017 gave interesting insights about why some companies failed to measure innovation correctly. They came up with three common mistakes companies are doing which yielded no desired results. First, they were overestimating or underestimating what innovation measurement could do. Second, companies were measuring parts of innovation but not whole, leading to misguided results and least, political aspects of innovation measurement were overlooked. (Magnusson et al. 2017) devised an innovation management framework which is helpful both to individual executives and organizations to take control of their innovation measures and understand the critical decisions and pitfalls, thus enabling companies to make full use of their innovation measure efforts.
Somech and Zahavy (2013) investigated team innovation as a process by differentiating creativity stage from the implementation stage. Based on the interaction, the authors argue that the composition of a team (based on individual creative personality and functional heterogeneity) affects team creativity. In this study, the authors tried to investigate how teams in an organization can facilitate innovation. Based on their research of 110 primary care teams, they found a positive link between the team composition and creativity. The results showed that a high level of both team’s aggregated individual personality and team’s functional heterogeneity serves as a catalyst for team creativity.

Business models are the central construct of an entrepreneurial journey. They do not only help discover how to create a successful business journey but explore how firms can better learn from their own experiences to improve the entrepreneurial outcomes. In the creation of technology-based firms, open innovation, customer development processes, lean methodologies or agile leaderships have utilized new methods of building extraordinary products (Trimi & Mirabent 2013).

The main objective of this theory is to study the theoretical foundation of the prior knowledge, to set the basis for our own research, which is to study how new ideas originate in self-managing organizations and their further development. Furthermore, we are interested in the argument whether self-management organizations are creating innovation. Since field literature is sparse it was difficult to find critical study angles. Since the topic is relatively new and revolutionary (demanding a radical rethinking of all organizational structures) we believe that once the “trial and error phase” passed, consistent critical studies will appear.
3.0 Research Methodology

This chapter aims to guide the reader through all the processes involved in the designing of the forms of research we intend to carry out. We considered all research methods available and went through their strengths and weaknesses. We elaborated upon the approach to data collection based on current literature. This particular methodology mentioned in this chapter helped us justify our answer to the question. After that, the choice of method, and data collection approaches are discussed. This chapter ends with an explanation of the approach we have used for data analysis.

3.1 Research Design

For our research, two possibilities of research design: qualitative and quantitative research were taken into consideration. After critical analysis of both approaches, we concluded that qualitative design is a more suitable choice for this study, to boost the understanding of this radical approach for innovation in corporations. We discovered that qualitative research is more flexible and less structured (Saunders, Lewis, Thornhill 2009). More importantly, it gives a deeper understanding of the issues under consideration. We believe that this is important when studying a field where different outcomes may appear, and as a result that can be hard to clarify. In our research, we formulated open-ended questions that are used to gather information which were then grouped into codes, themes, categories, or larger dimensions (Lewis, 2015). After this step, we compiled data to learn about our question by identifying patterns or themes with companies that use self-management.

The goal of our research is to establish if innovation is more effective in self-managing organizations. Self-managing teams (SMT’s) have been long established and vast theoretical and empirical research has been done. In this field, the ability to organize its internal work and structure is best accomplished by goals as having an increased flexibility to adapt to a format with a variety of tasks and conditions (Langfred, 2007). However, self-managing organizations in the form of holacracy and teal are a relatively new approach, established with a strong code of principles within the last decade. Self-managing companies give all staff members the same level of
accountability and ownership of information and resources, in relation to their field of work (Bernstein et al., 2016).

To be able to answer the intent of our research question “By using self-management, do organizations become more innovative?”, our data collection strategy is to have semi-structured interviews which individual in-depth interviews are (Clifford, Cope, Gillespie & French 2016). These interviews will collect data that is needed to support our research question. It is an exploratory question and therefore, the study motivates us to use interviews, which are open-ended to gather data from the participant interviewees. According to Irvine, Drew and Sainsbury (2013), there are certain advantages in gathering data via semi-structured interviews. They found that having the same researcher conducting the interviews reduces the effects of different personal interview styles that can affect the qualitative study. These authors also suggest to carry out all the interviews before analyzing the data, so that the quality of the data analysis would not be compromised this way.

3.2 Data Collection

To gain a better understanding of this revolutionary phenomenon, we first spoke to a Ph.D. student in Stockholm School of Economics, as his dissertation is on self-management organizations. He gave us limited feedback on how to approach this field. He recommended us to conduct a pilot study, to gain more clarity into holacratic and teal organizations. We took his recommendations and divided our research into two phases. We developed our interview guide for both our pilot study and research study.

For our data collection process during our first phase, we did a pilot study to form a better understanding of SMO’s and how they operate. We created a pilot study interview guide (Appendix One). This interview guide was prepared with ten key questions that were listed with why, what, when, where and how questions to establish a broad understanding of these companies. In this pilot study, we conducted four interviews to better understand how holacratic and teal organizations operationalize their processes. It is also important to mention that during our pilot study, we got to know about teal SMOs for the first time. Due to this discovery, we decided to investigate further, and we found a book called Reinventing Organizations.
by Fredric Laloux. However, the information in this book is not based on scientific knowledge on the subject we were looking for. Initially, we thought to seek information on holacratic organizations only. Furthermore, we discovered scientific evidence and we chose to include these types of organizations in our study also to enrich our data.

We already knew some holacratic organizations from our network of colleagues. From further references, we came to know about one teal organizations. It is also important to mention here that one respondent runs two different businesses (Sidiese and EntiquezArte) in two different countries, France and Spain which have adopted different management styles. The French company has adopted holacracy, while Spanish works on the principles of sociocracy. Thus, from one particular interview, we came to know about the two different styles and deep insights. Hence, out of these five companies, two companies use holacracy exclusively. One company used a combination of teal and holacracy, one company use sociocracy and one work on the general principles of self-management. From our interviews, we also came to know about sociocracy, which is briefly discussed in chapter two.

From these four interviews, two were face to face, and two were via google hangouts. Of the interviewees, two were founders of their companies, and two were members of their respective organizations. Each interview lasted between thirty minutes to one hour. An alphabetical list of companies we interviewed are as follow:

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Origin of Company</th>
<th>Management Style</th>
<th>Nature of Business</th>
<th>Years using SMO Tool</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisp</td>
<td>Sweden</td>
<td>Self-Management Cooperative</td>
<td>Business Consultancy Firm</td>
<td>SMO from the beginning</td>
</tr>
<tr>
<td>EntiquezArte</td>
<td>Spain</td>
<td>Sociocracy</td>
<td>NGO</td>
<td>One year</td>
</tr>
<tr>
<td>Hero &amp; Clusters</td>
<td>Sweden</td>
<td>Holacracy &amp; Teal</td>
<td>Recruitment &amp; Consultancy Firm</td>
<td>One year</td>
</tr>
<tr>
<td>Sidiese</td>
<td>France</td>
<td>Holacracy</td>
<td>Business Consultancy Firm</td>
<td>Three years</td>
</tr>
<tr>
<td>Neuwaldegg Advisory Group</td>
<td>Austria</td>
<td>Holacracy</td>
<td>Consultancy</td>
<td>Five years</td>
</tr>
</tbody>
</table>

*Table 3. 1: List of Pilot Study Sample*
The interviews were recorded, documented and discussed in the findings section of this thesis. The results of this pilot study gave us a restrained understanding of how SMO’s operate in an innovative environment. From this, we were able to create a research guide for conducting a series of questions that focused more on our research question “By using self-management, do organizations become more innovative?”

For our research interviews, we created an interview guide (Appendix Two). This interview guide was prepared with eighteen questions that covered basic areas we wanted to discuss. The questions were created in such as they escorted the interviewees, to provide us with as much information as possible, in the limited time during the interview process. In our interview guide, we have structured the questions first, by establishing how long the company was operational, and then by how long they have been a SMO’s. This was executed to find how new the company was to this operational style. The longer they were using holacracy or teal, the better for us to have more insights. We focused all our questions around the topics of innovation and self-management. It included questions such as: - “Do you have a specific role for innovation?” - “How do you think self-management affects innovation?” – “How do you think holacracy/teal impacts the innovation process?” - “Do you get outside help with the self-management/innovation processes?”

As aforementioned, holacracy and teal are relatively new approaches. Fortunately, we found a website that enabled us to contact a wide range of holocratic organizations (HolacracyOne, 2018). There are one hundred and fifty companies listed on this website and we randomly emailed fifty of these companies. Out of these fifty companies, some did not respond, others stated that they didn’t have the time to conduct an interview, and some were available for interview after our final submission. Fortunately, we found six companies that were willing to share information with us through semi-structured interviews. From those six references, we came to know about other teal and self-managing organizations. Hence, our sample for research study was made up of six holocratic organizations, two teal organizations, and two self-managed organization using no specific tool (holacracy/teal).

Out of these ten interviews, two were conducted face to face and eight conducted online using skype and google hangouts. Four from this list were
company founders and six joined the company after it was established. An alphabetical list of ten companies we interviewed is as follow:

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Location</th>
<th>Management Style</th>
<th>Nature of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arcadie</td>
<td>France</td>
<td>Holacracy</td>
<td>Cultivation (Farming) Consultancy</td>
</tr>
<tr>
<td>Blinfo</td>
<td>Sweden</td>
<td>Teal</td>
<td>Financial Solutions Provider</td>
</tr>
<tr>
<td>Kahler Finance</td>
<td>USA</td>
<td>Holacracy</td>
<td>Accountancy Firm</td>
</tr>
<tr>
<td>Liv.it</td>
<td>Denmark, Indonesia, Switzerland</td>
<td>Holacracy</td>
<td>Entrepreneurial start-up Innovation Hubs</td>
</tr>
<tr>
<td>Midås Nordics</td>
<td>Ireland</td>
<td>Self-Management</td>
<td>IT Consultancy</td>
</tr>
<tr>
<td>Pro Managers</td>
<td>Netherlands</td>
<td>Holacracy</td>
<td>Construction Consultants</td>
</tr>
<tr>
<td>Renate Comics</td>
<td>Germany</td>
<td>Holacracy</td>
<td>Comic Books</td>
</tr>
<tr>
<td>Sisyfos Digital</td>
<td>Sweden</td>
<td>Teal</td>
<td>Digital Solutions</td>
</tr>
<tr>
<td>Viisi</td>
<td>Netherlands</td>
<td>Holacracy</td>
<td>Mortgage Broker</td>
</tr>
<tr>
<td>Waboba</td>
<td>Sweden, USA, China</td>
<td>Self-Management</td>
<td>Product Based (Ball Innovation)</td>
</tr>
</tbody>
</table>

*Table 3.2: List of Research Study Sample*

After our first interview, we realized that our questions were either too broad or too direct, and we acknowledged that we could not extract sufficient information from the interviewee. Therefore, we re-examined our questions and modified our guide. We tried to make each respondent talk longer and focus on the relevance or our topic. We got better at asking questions with every interview and were able to get better data as time went by. Our first interview lasted fifteen minutes and our final interview lasted more than an hour.
3.2.1 Reliability & Validity

When we gathered our data, we had to establish whether the data was reliable and valid from our respondents. Creswell (2013) suggests that we form an amalgamation of four concrete terms or concepts. They include; authenticity, criticality, credibility, and integrity. We mirrored this method in our interview guide. To discuss this further, we have discussed few authors’ work below to define and elaborate on the process of establishing reliability and validity. It is always difficult to establish these methods, but we believe that with the aid of academic research, we will be able to better understand and create a foundation for the reliability and validity of our research study.

3.2.1.1 Reliability

To talk about our criteria to justify or reliability and validity, Joppe (cited in Golafshani 2003) defines reliability as “The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of the study can be reproduced under as a similar methodology, then the research instrument is considered to be.” Stenbacka (2001) suggests that the concept of reliability is misleading in qualitative research. If the reliability is the benchmark of a qualitative study, this may affect the debated argument.

3.2.1.2 Validity

Creswell & Miller (2000) propose that the validity is concerned by the researcher’s perception of validity in the study and their choice of paradigm belief. This results in many researchers developing their own concepts of validity and they have generated or adopted what they consider to be more appropriate words, such as, quality, rigidity, and trustworthiness (Davies & Dodd, 2002; Lincoln & Guba, 1985; Stenbacka, 2001).

However, Patton (cited in Golafshani 2003) argues that validity and reliability are the two factors which qualitative researchers should be troubled about when they are designing their methodology process, analyzing their findings and judging the quality of their work.
3.3 Data Analysis

Adèr (2008) suggests data collection that involves a series of steps in conducting the analysis:

**Step One** - reading and listening to all the transcripts again while also making notes about the transcripts.

**Step Two** - Coding; start labeling relevant pieces of information about actions activities. The same message might be repeated several times and it may remind us of the theory part of the paper.

**Step Three** – We will decide which codes are most important and create categories by bringing several codes together. We might create new codes by combining codes together. We will drop some codes as they might not be beneficial as we aim to keep the codes that are most beneficial. We aim to be unbiased, creative and open-minded. Then we will conceptualize our data.

**Step Four** – We will label the categories and decide which elements are most relevant and how they connect to each other.

We believe that following these steps is the best way to analyse our data in written form. We wrote a summary of our data in the finding section and then we summarized our findings. For our research, we will investigate these steps so that we can enhance our knowledge of this topic. There has to be a key system in place for the collection of the data, interpreting that data and then to define a clear goal and establish new findings (Saunders et al., 2009).

According to Saunders et al. (2009), there are five stages of an inductive research. But in our case, we found that only four stages are valid as there is no hypothesis. These stages include:

- Deduce a testable premise.
- We considered these premises and made a coherent argument that coordinates it to existing theory.
- We collected data to test these premises, and measure variables and concepts.
- We have analyzed the results by creating transcripts, finding keywords in the transcripts, framing the keywords into themes, and we tried to establish patterns.
We developed a data analysis scheme similar to which we found in Aery & And (2017). We did this in a series of steps. First, we prepared transcriptions of the recorded interviews. Second, we found eight patterns or themes which are innovation, from, rewards based on innovative ideas, work philosophy, supporting role of founder, consultancy, challenges and improvements based on the keywords found in the transcriptions. Then, we matched these themes with information from interviews in the form of quotes.

<table>
<thead>
<tr>
<th>Keywords</th>
<th>Patterns/themes</th>
<th>Examples of Quotes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Holacracy</td>
<td>Innovation</td>
<td>“Innovation is ingrained in holacracy practically” --- Holacracy</td>
</tr>
<tr>
<td>Teal</td>
<td>Innovation</td>
<td>“Yeah, absolutely ...previously it was only the managers who thought about problems and solutions…” --- Teal &amp; Holacracy</td>
</tr>
<tr>
<td>Self-Management</td>
<td>Innovation</td>
<td>“Work environments actually help innovation” --- SMO</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>“Holacracy is not a real drive for innovation” --- Holacracy</td>
</tr>
<tr>
<td>Product</td>
<td>Innovation Form</td>
<td>“We deal with service innovation and operational innovation” --- Holacracy</td>
</tr>
<tr>
<td>Process</td>
<td>Innovation Form</td>
<td>“We do product innovation” --- SMO</td>
</tr>
<tr>
<td>Research</td>
<td>Innovation Form</td>
<td>“So, it is mainly product innovation but also idea innovation” --- Teal</td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Idea Innovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Innovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Bonuses</td>
<td>Rewards (based on innovative ideas)</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>--------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Reward System</td>
<td>&quot;No, not personal, but we work for the rewards for the company because we work together&quot; --- Teal</td>
<td></td>
</tr>
<tr>
<td>Employee Motivation</td>
<td>&quot;There is no specific reward system because it is a part of work we do on daily basis&quot; --- SMO</td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>&quot;We had these rewards before Holacracy&quot; --- Holacracy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&quot;Yes, we have our own compensation model...&quot; --- Holacracy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&quot;Not really, but we divide extra income among all the members&quot; --- SMO</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Networking</th>
<th>Work Philosophy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Discussion</td>
<td>&quot;Everyone is a part of every idea&quot; --- Teal</td>
</tr>
<tr>
<td>Employee Involvement</td>
<td>&quot;It is so much flexible&quot; --- SMO</td>
</tr>
<tr>
<td>Open Mindedness</td>
<td>&quot;… people actually have power to change and bring innovative ideas…” --- Holacracy</td>
</tr>
<tr>
<td>Transparency</td>
<td></td>
</tr>
<tr>
<td>Growth Mindset</td>
<td></td>
</tr>
<tr>
<td>No bullying</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Encouragement</th>
<th>Supporting Role of Founder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitation</td>
<td>&quot;Not our customers, not our shareholders, but our own people come first.” --- Holacracy</td>
</tr>
<tr>
<td>Open Work Environment</td>
<td>&quot;We build everything together” --- Teal</td>
</tr>
<tr>
<td>Authority Delegation</td>
<td></td>
</tr>
<tr>
<td>Agile Entrepreneurial Mindset</td>
<td></td>
</tr>
<tr>
<td>Stress Management</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Holacratic/Teal Consultants</th>
<th>Consultancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovative Consultants</td>
<td>&quot;We work with innovation consultants&quot; --- Teal</td>
</tr>
<tr>
<td></td>
<td>&quot;Yes, the innovation consultancy, but mainly informal…” --- Holacracy</td>
</tr>
<tr>
<td></td>
<td>&quot;We seek external help for innovation, but it is not very often” --- Teal</td>
</tr>
<tr>
<td>Decision Making Process</td>
<td>“To keep set back from a traditional model” --- Holacracy/Sociocracy</td>
</tr>
<tr>
<td>-------------------------</td>
<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td>Time Constraints</td>
<td>“… people thought that the leadership was necessary…” --- Holacracy</td>
</tr>
<tr>
<td>Meetings</td>
<td>“We first had to find someone who can lead us to this competency…” --- Holacracy</td>
</tr>
<tr>
<td>Self-Driven Performance</td>
<td></td>
</tr>
<tr>
<td>Employee Mindset</td>
<td></td>
</tr>
<tr>
<td>Employee Recruitment</td>
<td></td>
</tr>
<tr>
<td>Rules</td>
<td></td>
</tr>
<tr>
<td>Emotional Intelligence</td>
<td></td>
</tr>
<tr>
<td>Training &amp; Development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Challenges</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Idea Documentation Tool</th>
<th>“Running in a more traditional way and managing the business in more important right now…” --- SMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Empowerment</td>
<td>“… more empowerment within the roles” --- Holacracy</td>
</tr>
</tbody>
</table>

**Table 3. 3: Categorization of Data**
4.0 Findings

The current section gathers inputs we found while conducting our investigation into three different types of self-managing organizations (Holacracy, Teal, and SMOs without guidance). We have been focusing on the key themes of innovation and the relationship between SMOs and innovation, including the innovative process. We inquire about the nature of these businesses that adopt them, as well as on the corporate culture derived from SMOs. We highlighted brief insights into the rewards and benefits system as well as on the challenges faced by companies trying to implement self-management.

4.1 Self-Managing Organizations support Innovation

Team-based activities, agile approach, lean structures all are encouraged by SMOs. Whether SMOs bring innovation to the company or not, it is quite subjective. The question whether SMOs actually support innovation or not, yields different responses from our interviewees. It is debatable whether some companies, think that such structures, help the employees to come up with new ideas and participate in the process. Yet, it is also important to mention here, that we another set of respondents, think that innovation is not dependent on the management structure, rather it is something that has to be ingrained in the organizational philosophy. If the company already has an element of vision to exploit opportunities, SMOs might not benefit innovation in this regard. As mentioned by one respondent; “I think that holacracy is a part of innovation, it might be a big factor that allows us to be more innovative...Holacracy is innovative but it is not extraordinary or out of this world let’s say.” --- Holacracy. Another holocratic view: “Holacracy for me goes hand in hand with entrepreneurial environments as they are very innovative and proactive, entrepreneurial, self-sufficient and self-reliant.” --- Holacracy

Overall, our interviewees did see big differences in working with traditional management style compared to self-managed organizations. Instead of narrowing down the focus on the workers and telling them what to do, their companies are now self-managing, and everyone is seeing positive results. Everyone in their companies now knows about the business plan, the budget, the goals, and now everyone participates mutually in a common vision shaping the company. Every employee has a voice and his/her voice is heard. Holacracy/teal are adding value to a company’s
core values by encompassing the individual values of the participants. Whereas, in the traditional slow bureaucratic management models, there are predefined values which all the participants must adhere to, whether they agree or not to the predefined governance structure.

4.2 Types of Innovation

The type of innovation, companies opts for depends on the operational nature of the business. Service providers are prone to adopt marketing, research and service innovation. Product-oriented firms are more involved with product innovation than any other innovation form. According to one consultancy firm, they use 80% product innovation and 20% process innovation. Technology-based firms and digital firms focus on product innovation and idea innovation. Overall, it is the nature of the company business that affects which form of innovation they provide. We have also discovered that the common practice for companies is to involve in several innovative processes simultaneously.

4.3 How do ideas grow?

Ideas occur without being triggered by a specific process, brainstorming and common idea generation are the ground for innovation. Companies use different strategies to move from idea generation phase to idea refinement, and finally to idea development. One company use a Combat Concept. “It is the idea discussion tool used by the organizations” as mentioned by one respondent. Members of the same circle take the initiative - generate an idea and sets the parameters for discussion.

Another correspondent from a digital firm, adds: “Some of the ideas and products we build come from customer discussions, but there are also other ideas that originate internally. We have an advisory process that has been our digital workplace solution we deliver to customers. But since we are only ten people today, we don’t need to use advisory process as a formal process”. --- Holacracy

In most consultancy firms, employees usually spend more time in client’s offices. Some companies have designated days where they sit together in one office and have discussions on the upcoming projects.
4.4 Work Philosophy

Continuous transparency about what a person is doing is the key factor that outshines SMOs from other management practices. SMOs create transparent, proactive, fast-paced working environments grounded in open communication; work environments with medium stress levels that highly value the well-being of employees. It focuses on free flow of ideas within the group that create free-thinking patterns of innovation. According to one respondent; “If people has the rule mindset and you as CEO, have the trust in people, I think you can grow as a company”. --- Teal

From our pilot study, we have discovered that SMOs help staff members to embrace empowerment and take responsibility for their actions. Members set concrete goals, and the result approach is set on acquiring new knowledge. There are clearly defined rules and regulations of holacracy. If a problem arises, a tactical meeting is held to establish roles and a volunteer is requested from these circles to take accountability for that specific role.

Active and regular reporting are demanded by SMOs. If people try to hide or forget to report timely, it can cause major setbacks. However, with the transparency of the meetings, it is difficult for a member to hide a report, which is also related to the following message we get from one respondent: “One of the most important things in my company is that we have to have a good climate for discussion” --- Teal

4.5 Specific role for Innovation

Companies do not tend to have a specific role or specific designation for innovation. Ideas are discussed and developed consensually within the circle or among many circles within the whole organization, which may also lead to restrictions in the creativity of an organization as a whole. One of the ten companies we interviewed had an independent innovation circle, which was later cancelled because it could not produce any new idea. According to one respondent, “I think the cheap thing is not to come up with any specific role for that. It is little bit destroying of creativity” --- SMO. On the other hand, companies tend to have specific role for holacracy.
4.6 Rewards based on Innovation

Transparency in pay structures still varies from company to company. In some companies, colleagues suggest the pay scale of their co-workers and it is clearly visible to all. In some organizations, it is still the founder who handles payroll. Seven out of ten interviewees mentioned that they have no specific rewards for innovation. As one founder expresses it: “When we do good things, we eat cake and drink beer, go out somewhere and have a nice time together. We work for rewards for the company because we work together.” --- Teal

In consultancy firms, if employees perform well, they normally get rewards from the clients, which are directly given to them. Most of our interviewing companies do not offer special rewards for the innovative ideas to their employees. As according to the interviewees, their organizational culture is to be entrepreneurial; this is not an occasional activity, but an organic process of coming up with new ideas on daily basis, as claimed by one respondent: “There is no specific reward system. Because it is a part of work we use to do. Our goal is to provide people a good life. It has never been to give a lot of money to them. It is a continuous way to make sure that we build great offices with people to enjoy working with” --- SMO

4.7 Challenges while Implementing SMOs

Companies recognize that SMOs are not suitable for every type of employee. Such management styles demand great enthusiasm, passion, involvement, commitment and responsibility from the employees. That is why, recruiting employees for such organizations is a tedious process. Employees have to undergo careful scrutiny and be judged critically during the recruitment process. In the transitional phase from traditional to SMOs, self-resignations and employee layoffs from management is a common practice due to the fact, that some people find such workplaces are not suited for them; sometimes the founder feels that these employees could not survive in a teal/holacratic structure as they need to be micromanaged and are not self-driven.

Implementing the self-management system brings also many other challenges like implementing any organizational change. As employees are not familiar with the concept of roles and self-reporting, frequent training tutorials and assistance are required. As mentioned at different points of time during interviews: “There should be
a high emphasis on training – we had four hours of training every day.” --- Holacracy.
Also: “We elected two people to be holacracy ambassadors to help us understand the complexities of organizing and implementing it. They helped people with the terminology and implementation.” --- Holacracy.

More autonomy means more responsibility. Shifting from a narrow role where each guideline, and to do tasks are translated to the one where one has the freedom to experience and contributes with his/her own talents, experience and expertise is also a challenging task, as it was altogether a different mindset of performing things which holacracy provides. Repetition, time, persistence and full-time commitment are all required to keep on the holocratic management track. GlassFrog Software seems to be very helpful and efficient tool which is used for continuous reporting and work status of all employees specifically suitable used for holacracy. It is an easy-to-navigate tool, role specific and assures transparency throughout the organization (GlassFrog, 2018).

Hiring a holocratic/teal consultant to assist in the transition phase is required. Seeking external experienced professional help is important. As holacracy is altogether a different form of management style, we became aware from our pilot study, it is advised to take small steps towards it, making it well understood by all the employees of the firm. It is also notable that no single company we studied adopted holacracy to 100%. For the first year of operation, Companies stuck to the rules of holacracy. However, after the initial year was completed they slightly evolved, some of the mechanisms, to form their own practices, while still keeping the majority of their processes in the holacratic code. A challenge that the entrepreneurial companies are confronted with is the overflow of ideas as one respondent says: “We are trying very hard to stay focused on one idea at a time” --- Holacracy. Another respondent says: “Our biggest problem as a company is that we have too many ideas. There is not enough time for us to work with ideas that we actually have” --- Teal

4.8 Improvements

In terms of improvements, a more structured way of collecting and documenting ideas is what most of our interviewees foresee to have in their organizations. All ideas coming in workforce minds are also needed to be
documented and written down formally somewhere in the system or software. It has its importance from both the perspectives i.e. from employees' and the employer side. Many people in the organizations may also feel the need to record their ideas as after all they become a part of the process and show their participation.

Likewise, owners need to have a backlog for tracing the ideas in the case they are kept aside for the later use, discussion or they are stored or parked if they see that that the market is not mature enough for the particular idea.

4.9 Other Findings

Another important finding of our study reveals that holacracy works best when you have employees rather than volunteers. As volunteers usually participate in short-term voluntary contracts, it is difficult to have them committed to participate in the extensive training and development practices. This problem was personally experienced by one of the research members, Kenny. He volunteered for a non-profit organization that operates independently of any government (NGO) for the first six months of a project in Barcelona. When he volunteered for the project, the main problem found was that volunteers were constantly coming and going and rarely staying for longer than one month for the training and development processes to prove effective. The founder of this NGO decided to radically shift this system to form a holacratic structure to form a sociocracy structure. This system is more sustainable for the constant flow of volunteers.

We have also discovered a temporary factor that may cause shifting to holacracy. Most of the companies interviewed, stated that they started implementing holacracy in 2016. Why 2016? If we look at the historical circumstances, in 2016 we can see that Brexit and Trump won the elections in the USA. These were factors that slowed down the economic boom of the previous years in Europe and North America. We could consider holacracy as a tool of efficiency - a response to the downfall of the global economic markets and of tougher competition on the same markets. This can be a part of the argument: why companies embraced the radical shift to other management tools such as holacracy and teal.
5.0 Discussion

In chapter one, we have mentioned that the purpose of this research was to examine SMOs focusing on innovation within the new organizational models of holacratic and teal organizations. This new form of thinking was created and discussed by Laloux (2014) and Robertson (2015). However, we investigated these concepts further in chapter two with academic research in the respective fields. Our aim was to see how innovation prevails in these types of organizations. We achieved our objective in this direction. Furthermore, our research question was “By using self-management, do organizations become more innovative?” We will discuss that more openly here, as we have now gathered theoretical data while also gathering primary research. From these processes, we can discuss, and make evaluations based upon our key focus of this study on innovative SMO organizations. In this study, our key focus was on innovation and how it affects SMOs. In this chapter, we will try to argue it in more detail. To generate a discussion, we ask a series of questions and then explain these questions in our research.

The fast-paced changes in the global economies consequently affect the personal management, as the personnel costs are generally one-third of a company’s expenses (Browne 2018). We are observing parallelly a constant search for new managerial tools that decrease costs, improve the personnel’s efficiency without decreasing its well-being. As we are shifting important parts of our economy from the production sector to the service sector, we are experiencing the subsequent demand of a highly skilled trained personnel that comes at a higher cost. The peer competition in the previously mentioned global contexts puts pressure on companies towards faster decision making, faster transformations, making them agile, nimble and more innovative (Nayab, 2013).

Could we increase the personnel’s productivity by reforming the traditional organizational charts? Through formally decentralizing the authority, relocating job tasks and empowering the employee at a micro level? Focussing on eliminating the leader-subordinate relationship? By giving the autonomy to the group and assigning the decision-making process to a group of individuals and having a transformative and not a linear purpose? Changing the focus from the short-term profit to the long-term one therefore, allowing innovation to become one of the key functions of a group?
Based upon our research, we came to the conclusion that SMOs including holacracy and teal organizations seem to have the answer to these questions. We have discovered that all interviewed subject companies were either start-up companies or companies in need of a scaleup. Holacracy and teal seem to be long-term tools for development and innovation - a logical step from a fast-growing start-up to a scaleup, prevails in entrepreneurial environments. Starting from the premise that staff is the main asset of a company, the tool of holacracy/teal is used for:

- Those implementing it.
- A proactive functional spread template for validating ideas, a purpose structure.
- A blueprint focused on innovation.
- A flexible, transparent and goal focused organizational structure.

Holacracy/teal allows people to think outside the box. It is the right space to be creative and requires visionary leadership to keep the same agile entrepreneurial mindset. The approach to the innovation process is agreed to be the ingrained core of holacracy and teal. The core structure of the workgroups aims at flowing with ideas by encouraging the individual to assume and decide within the same group. A respondent said that “Holacracy is about getting one step better”. Followed by “As performance is affected by uncertainty and diffuse work roles, the team-based structure of holacracy aims to achieve higher employee efficiency through narrowing down the work dynamics to smaller groups”. However, the process of implementing holacracy and radically shifting from the traditional hierarchies may raise some questions about the practical setting in practice of the processes. Implementing holacracy or teal implies reinventing all the organizational flows, setting the focus on governance tactical meetings, on gathering both internal and external information. It acts, from an external perspective, more like a learning platform than an actual workgroup.

We have discovered that all the interviewees went through a research phase, gathering relevant information about the topic. One respondent said, “We had to read at least ten books.” The next phase was a training procedure, assisted by external consultancy firms. Most of the interviewed agreed on the importance of external consultants in implementing holacracy; some agreed that it is a mistake not
to engage external consultants. However, it was commonly agreed that understanding the theory is a first vital step when implementing these self-management tools. Extensive research and training are required. A mutual understanding that holacracy and teal, give a sense of empowerment to the overall organizational circles through the mechanisms of meetings, and creativity, is to be given to the participants. When scaling down theory to practice, the exact rules of holacracy have been applied for a period of six months to a year to find the peculiarities contained within this form of management technique. How does a work environment look like in a holacracy or teal? It is focussed on team efficiency and career development, giving the employees the opportunity of being entrepreneurs from the start. Self-management and self-motivation are the key aspects of the organization.

The core structure of the holacracy/teal focuses on seizing the opportunity to add value to employee’s roles within the organization. It creates a safe environment for people to raise their voice, the freedom to come up with ideas, and matching the company’s goals with their personal goals. It gives the transparency of seeing the outcome of their ideas and most important to have an evolutionary purpose. The governance meeting processes, keeps the team synchronized, and get work done mutually and transparently. It is a challenge, of course, to find emotionally mature individuals willing to step into these predefined roles. A high level of the team’s aggregated individual personality and functional heterogeneity serves as a catalyst for team creativity. The determinants of the organizational performance are creativity and innovation, gaining benefit from the new thinking patterns.

Another question arising is the reward and compensation pattern. Arvidsson (2008) argues that the design of a group level performance remuneration gives the employee a better incentive in working as a team and decreases competition at a personal level amongst colleagues. Group rewards, however, are not a strong incentive unless the group has the means of performance to influence it. As all interviewees agreed on the importance of creating a transparent compensation mode, no specific pattern was found. Some of them, answered that a particular compensation mode was unnecessary, others answered that a new reward and compensation tool had to be created in parallel with the implementation of the new organizational management. Finally, what would the advantages and disadvantages of implementing teal and holacratic management tools be? Our interviewees agreed
that holacracy had a positive impact on their organization. Highly motivated employees, that communicate openly resulting in a good work environment, effective decision-making and more productive employees. However, from our interviews we have discovered that holacracy is a tool that companies adapt to keep the innovative mindset whilst growing at a very fast pace, a radical approach in order to meet both the individual’s and the market’s demand. This was a recurrent theme in all the interviews we have conducted.

What would the disadvantages of implementing teal/holacracy? One obvious argument is that the decision making may be time demanding and sometimes ineffective. The governance meetings have sometimes no production demands, there is always a chance factor whether the discussion will lead to innovation or may blankly result in loss of work time. From the perspective of the recruiting process, a “holocratic” recruiting process may be long, tedious and expensive”. It may be difficult to hire persons who “think outside the box” and have an entrepreneurial mindset. Thorough testing skills are required in order to match the individual’s skills within the circle and within the organization. The reward system makes no distinction between excellent and very poor workers - not every individual would accept such gradation. The individual reward system is deeply ingrained in our organizational culture and the candidate pool for these positions automatically narrows down.

5.1 Limitations

There are many limitations of this study like in any other research study which we would like to mention in this section. First, this research is carried out within a very limited time span of eight weeks as we had to pivot our research question several times with the suggested direction of our supervisor and colleagues. Usually, students have a whole dedicated semester to write a paper. We found that, just because there are two people working on the paper does not mean that data collection can speed up. If we had more time, we could have explored more directions, to interview more people, and thus provide richer data for this scientific research. This restricted us to conduct a study over a longer period of time, which could better see the effects of self-managing organizations in innovation over a specific period of time. In some of our contacting emails, we made the mistake of asking organizations for a quick response as we were under a great deal of time
pressure. We believe that this made us look quite unprofessional from the company's perspective as many emails we received back, said they were unavailable for a discussion.

Involving more companies in both pilot study and research study could lead us to get better, and detailed insights. Access to limited data is also one constraint. We contacted fifty companies, out of which fourteen agreed to participate in the study. Moreover, we wanted to study Zappos, which is the most famous and the biggest company with 1,600 employees adopting holacracy and running successfully while fuelling innovation (Feloni, 2016). Several case studies are also available on Zappos in context of adopting holacracy and becoming more innovative as well with time. While contacting them, we came to know that they charge $350 for a one-hour session talking to them. They have bi-weekly sessions on Tuesdays where all professionals, students and interested people gather to know more about Zappos. We, as students, could not afford to pay this much and our supervisor had no such funding available which could facilitate us to conduct an interview with them or participate in the session. Therefore, we could not take Zappos' interview which we argue that it might be the most interesting one for this particular study. As we would have been able to study a relatively large organization and contrast with academia in our research to provide a much more critical approach to this paper.

Another limitation was, that many companies had an allotted time to talk to students (in English). Therefore, they could speak to us on the week of submission. Furthermore, we encountered language barriers. There were few companies we wanted to speak to them were French, but they did not have a good command of the English language. In addition to that, it was difficult to find a translator to suit the time the companies were available to talk to us. We emailed one of them with the questions to fill the document in their own language, but this caused a problem because the respondent gave us yes and no answers. He also did not understand each question and instead, referred to one of the other questions for the same answer.

When conducting the interviews, we have tried to maintain a focus towards the specifics of our research. The subject is so new and multifaceted; therefore, it would have been easy to divert from it and get into unnecessary details for to our thesis.
On the 31st of May we will attend a conference in Stockholm, unfortunately after the submission of our paper (Popupforum, 2018). This would have been another opportunity of collecting data, conduct interviews or simply to get a general impression on the topic. This is just bad luck from our perspective, as collecting information for our research has been quite challenging.

5.2 Future Research

There is not enough scientific research that associates SMOs with innovation so far, and generally there is little research in this field, as holacracy/teal is a relatively new organizational management tool. We hope to be able to establish through our research a platform for other master level or advanced postgraduate students (PhDs), not just primarily in our field entrepreneurship but, also in other fields such as business studies, organizational theory, anthropological studies and philosophical studies etc. to maintain our research into innovation into SMOs.

Our current qualitative study is attempting to prompt a recommendation for quantitative research as to establish generalizations based upon the variables we discovered during our qualitative study. However, it is unknown if there are any quantitative measurements for innovation in self-managing organizations. Any other data collection tool besides semi-structured interviews is also recommended for the future research to investigate the same question by other means.

It may be possible if any other university has funding to carry out an investigation into Zappos. What we would like to offer are potential research questions for a master level or postgraduate student. Are self-managing organizations more innovative than other traditional organizations? Why, when, where and how to innovate in SMOs? As few interviewees mention that the biggest problem we are facing in our organizations is managing the new ideas, which could lead to asking questions like: How to manage innovation within SMOs? Does strategic innovation guide SMOs? We also recommend investigating more into the field of sociocracy.

We are hopeful that companies, organizations, and institutions keep on striving to search for more compelling, soulful, and more purposeful ways to work together. We believe that SMOs will continually evolve as solutions and development leaders for creativity and innovation.
6.0 Conclusion

Initially, we wanted to establish whether SMO’s become more innovative with the aid of organizational tools of holacracy and teal. Our investigation began by reviewing scientific research in SMO’s and innovation. These management tools are relatively new and lack scientific research. It was, therefore, difficult to form and define critical ideas about them. However, we have learned that by finding alternative solutions, bureaucracy, rules and regulations, and learning from the problems we faced - the trial and error method was applicable. Most of the companies we spoke to were already in their own right innovative path prior to becoming self-managing firms, therefore a direct balance between the innovative idea creation and SMO may be difficult to establish.

Does this imply that a company must be innovative to decide to take the radical step towards this organizational change? Should only innovative companies take this path and implement holacracy/teal? We have found that even though, these companies were already innovative, the results of this approach were noticed by: team members, shareholders, partners, product/service development team. But these companies have their limitations as well - most of them have only been operational with this management tool for a couple of years. We can certainly say, that further conclusions can be drawn in the future when the holacratic/management tool has been properly implemented and established on a longer time span. Only then we will be able to use quantitative and qualitative research to measure its advantages and disadvantages.

Is the holacracy/teal a viable alternative in boosting the effectivity of traditional hierarchical organizations? We argue that this question is open to further research. Holacracy/teal have themselves a very strict bureaucracy, rules, and regulations. The roles of an individual are shifted within the same holon, not within the company as a whole. Do all organizations have to be teal/holacratic in order to be effective? Is the holacracy/teal the future of management organizations? Are the traditional pyramidal organizations at the end of their existence? Probably not. Holacracy/teal create a more dynamic work environment with shared responsibility where every member of the group is thinking in entrepreneurial patterns. But is every member of a team a potential entrepreneur? Would every employee - with the right incentives,
think in the terms of innovation which could, at its term, potentially lead to profit? Could this happen not only in the service sector but also in the product sector? Time and further research will certainly give an answer to these questions. The aim of our research was to give an insight into SMOs, take the pulse of the innovative process and connect it to the management structure itself. We hope only that our research will be a basis for further research to come when the “experimenting” phase will come to an end and established SMOs could be a subject for case studies.
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Appendices

Appendix One

Interview Guide for Pilot Study

1. Why did your organization convert to SMO?
2. What were your operations prior to the conversion towards holacracy/teal?
3. Tell us about challenges your company faced when converting to SMO.
4. From an entrepreneurial point of view, does holacracy/teal make your company more innovative? If so, how?
5. Do you think holacracy/teal makes employees more efficient and productive? If yes, how?
6. How do you think holacracy/teal added value to your company?
7. Any negative aspects you have seen in SMO structure so far.
8. How long does it take a new member to adjust to the holacratic/teal system?
9. Are you using GlasFrog? If yes, how did you find it?
10. What advice would you give to a company or an entrepreneur considering converting to holacracy/teal?
Appendix Two

Interview guide for Research Study

1. For how long has your company operated?
2. How long have you been a holocratic/self-managing organization?
3. Why did you decide to make the radical shift to becoming a self-managing organization?
4. What challenges did you face implementing innovation?
5. How do you, or can you encourage innovation in your company?
6. How do you come up with an innovative idea?
7. How does your circle learn more about an innovative idea?
8. How does the organization encourage innovation?
9. How do you think holacracy/teal affects innovation?
10. Do you have a specific role for innovation?
11. What forms of innovation do you participate in?
12. Did you use experts in converting to holacracy/teal?
13. Do you get outside help with the innovation process?
14. How do you think holacracy/teal impacts the innovation process?
15. Have you got a reward process for your members?
16. Do you really think holacracy/teal improves the innovation process?
17. What improvements would you like to see in the innovation process?
18. Would you like to add anything that maybe we didn’t think to our research?