



UNIVERSITA' DEGLI STUDI DI PADOVA
DIPARTIMENTO DI SCIENZE ECONOMICHE ED AZIENDALI
"M.FANNO"

CORSO DI LAUREA MAGISTRALE IN
BUSINESS ADMINISTRATION

TESI DI LAUREA

"Organizing for the Future: Cases on the Transition to Organic Forms"

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ANNO ACCADEMICO 2021 – 2022

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Firma dello studente

A handwritten signature in black ink, appearing to read "Julia Gaid", is written over a horizontal dotted line. The signature is fluid and cursive.

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Executive Summary

How most organizations are organized today is not coherent with the current market conditions and business environment. Many organizations are still relying on the decade's old traditional organizational designs (Fassoula, 2004; Rahnema & Van Durme, 2017), although the emergence of these can be traced back to specific eras in history where managers aimed to take advantage of the prevailing market conditions (Miles et al., 2009). However, since then, the world has dramatically changed as a result of technological development, increased knowledge and globalization (Hinrichs, 2009). The business environment of today can therefore be described as dynamic, complex and uncertain, and to be successful under such conditions, organizations must be flexible and innovative (Hinrichs, 2009; Rigby, Sutherland & Takeuchi, 2016). Consequently, the traditional forms of organizing are no longer responding to the market conditions they were designed to match.

In uncertain environments, organic organizations with features such as few hierarchical levels and decentralized decision-making are favorable (Burns & Stalker, 1961). Being organic also allows for agility (Holbeche, 2019; Olivia et al., 2019), an organizational capability that enables efficient and effective adaption of resources for value creation that corresponds to the changing environment. Thus, agility is highly desired in today's volatile business environment and can be connected to higher organizational performance (Tallon & Pinsonneault, 2011; Salo, 2017). New organizational designs are therefore emerging which offer a possibility to become organized in accordance with today, and not only in terms of responsiveness, but also in recognizing the individual contribution of each employee. Nevertheless, engaging in organizational change tends to be difficult. Approximately 70% of the change initiatives that organizations engage in fail (Beer & Nohria, 2000; Rahnema & Van Durme, 2017; Holbeche, 2019), and most literature on change management is not suitable for the new unstable market conditions (Burnes, 1996). Additionally, the large differences between the traditional, hierarchical forms and the new forms imposes an even greater difficulty. Consequently, while a need to change has been recognized, the available literature on how to do so is limited.

The purpose of this thesis was to increase the understanding of how to successfully manage the transition from a traditional form of organizing to a newer, organic form. To fulfill this purpose, the transformation processes towards the rather novel Teal-model made by Zordan Srl SB and Credito Emiliano S.p.A were studied following a case study methodology. The

findings of the explorative research confirm that both external and internal factors question the appropriateness of traditional forms of organizing in the business environment of today, and by transforming, great results can be achieved connected to economic profits, employee satisfaction, organizational climate and customer satisfaction. Successful ways of how to manage the transition was found in a gradual implementation of change where the process evolves along the transformation. This allows for reflection and a high involvement of employees, which positively affects change resistance. The findings also suggest a creation of an internal guiding group to function as a facilitator during the process. However, the change is not only limited to the organizational design, but the organizational culture and mindset must be changed as well to reflect the new ways of working. Accordingly, the required efforts to succeed are affected by the existing culture and perceptions of power, and the organizational starting point in relation to the desired model. Due to the limited number of studied cases, additional research is needed.

The thesis is structured as to follows:

The *first chapter* begins with a review on the theoretical concepts of organizational design. This is followed by a presentation of the traditional forms of organizing and how these have developed as a response to historical economic eras. Various drivers are then discussed that demonstrate how the world largely has developed since the previous economic eras. Consequently, the chapter concludes with a recognized need for new organizational designs that correspond to the conditions of today.

In the *second chapter*, the focus is on the business environment of today, and what it demands of organizational design to enable success since the designs from the past no longer seem to be as suitable as before. Five newer forms of organizational design are reviewed to illustrate how these new models relate to the requirements of modern and future ready organizations.

The *third chapter* is dedicated to how organizations change and adapt to new organizational designs. Relevant change management literature is therefore reviewed in the search for guidance on managing change processes and accordingly avoid becoming one of many failed changes initiatives. Since most existing literature is inconvenient under unstable environmental conditions, such as the ones of today, the chapter concludes with a few indications and a recognized need for additional research in the area.

The *fourth chapter* responds to the addressed need in chapter 3 and aims to provide an increased understanding of the transition from a traditional form of organization to a newer form of organizing through a qualitative study. Two organizations, Zordan Srl SB and Credito Emiliano S.p.A, were studied for this purpose following a case study methodology. The conclusions and practical implications can be valuable for organizations that desire to become future ready and organized in accordance with the environment of today. Lastly, the limitations of the study are discussed and directions for future research are presented.

Chapter 1 - Organizational Design in Transition

1.1 Introduction

Organizations strive towards the achievement of the goals and visions that clearly have been set up in advance, and in order to do so, they are structured and designed accordingly (Galbraith, 1974; Perrow, 1994; Baligh, Burton & Obel, 1996; Hinrichs, 2009; Burton & Obel, 2018). Organizational design can have a great impact on the performance of an organization (Powell, 1992; Vaast & Levina, 2006; Felin & Powell, 2016), and studies have also found that in times of crisis, the negative impact on the organizational performance can be limited as a result of the organizational design (Lin, 2000). Thus, it should be in the interest of all organizations to assure that they are organized in the best way, in accordance with the purpose and goals of the organization. However, the matter of organizational design does not come with a single solution that fits all organizations (Baligh, Burton & Obel, 1996). Not only is it argued that various solutions are more or less effective depending on certain features and factors of the organization (Burton & Obel, 2018), but organizations must also take into consideration their interactions with their external environment when designing (Hinrichs, 2009).

Some of the most traditional forms of organizing can be traced several decades back in time (Miles et al., 2009), and these are still being used to a large extent today (Rahnema & Van Durme, 2017). Although it can be argued that these forms still are able to provide efficiency and effectiveness in organizations (Kotter, 2012a; Teece, Peteraf & Leih, 2016), they have been designed for the purpose of solving issues that organizations were faced with at the time of their emergence (Fjeldstad et al., 2012). Since then, the business environment has changed significantly (Felin & Powell, 2016; Teece, Peteraf & Leih, 2016; Rahnema & Van Durme, 2017), and a few factors that can be mentioned in relation to this is the technological development, globalization, and a general highly educated workforce (Hinrichs, 2009). Consequently, the suitability of the traditional forms of organizing in the business environment of today has become more frequently addressed (Hinrichs, 2009; Felin & Powell, 2016; Aghina et al., 2018; Graczyk-Kucharska & Erickson, 2020). In order to understand why the traditional organizational designs to some extents have become obsolete, this chapter will start from the very beginning by reviewing the concept of organizational design from a theoretical perspective. Thereafter, the emergence of the traditional forms of organizational design will be discussed in relation to their economic eras. Lastly, the chapter will highlight various drivers that have caused a need for new forms of organizational design.

1.2 Defining Organizational Design

The matter of organizational design is derived from organizational theory which is a theory that aims to provide explanations for the structure, behavior and effectiveness of an organization (Burton & Obel, 2018). Building on this theory, there is the normative science of organizational design, which instead aims to be advisory to achieve improved organizational effectiveness and efficiency (Baligh, Burton & Obel, 1996; Burton & Obel, 2018). However, to be able to discuss the topic of organizational design, it is much needed to firstly define what an organization is. According to Burton and Obel (2018), an organization is “... *a social unit of people that is structured and managed to meet a need or to pursue collective goals*”. Similarly, Lawrence and Lorsch (1967) defines an organization as a large system of linked behaviors of people, whose purpose is to perform a task. The large organizational system is in turn divided into smaller subsystems with workers who are performing a portion of the principal organizational task. When all subsystems are integrated and united, the organization can effectively perform its task (Lawrence and Lorsch, 1967).

The core idea of organizational design is to enable organizations, regardless of their scale or complexity, to cope with their tasks and issues (Blau 1970; Hinrichs, 2009; Burton & Obel, 2018). Puranam, Alexy and Reitzig (2014) argue that an organizational design must solve at least four fundamental matters: task division, task allocation, reward provision and information provision. Different ways of solving the encountered matters result in various forms of designing organizations. Accordingly, Puranam, Alexy and Reitzig (2014) mean that a new form of organizational design is a design that is able to solve at least one of these four matters in a new way in relation to what a comparable group of other organizations already are doing. The four fundamental matters can further be grouped into two groups, “*division of labour*”, which contains the first two tasks, and “*integration of effort*”, containing the latter two (Puranam, Alexy & Reitzig, 2014). This division of organizational design into two design activities is recurrent in the literature of organizational design (Lawrence and Lorsch, 1967; Galbraith, 1974; Hernaus, Aleksic & Klindzic, 2013; Burton & Obel, 2018), and can according to Burton and Obel (2018) be understood as the essential decisions within organizational design. This can be supported by findings by Powell (1992), who found that the organizational alignment, such as the fit between the two parts, resulted in better performance in terms of profits, and could create a source of competitive advantage.

The first activity can be found in the literature referred to as both *structuring* (Burton & Obel, 2018) and *differentiation* (Lawrence and Lorsch, 1967; Powell, 1992; Felin & Powell, 2016).

Similarly, the second activity of integrating the organizational efforts can be found mentioned as both *coordination* (Van de Ven, Delbecq & Koenig, 1976; Burton & Obel, 2018) and *integration* (Lawrence & Lorsch, 1967; Galbraith, 1974; Powell, 1992; Felin & Powell, 2016). However, for the purpose of simplicity, these activities will throughout this paper be referred to as differentiation and integration.

1.2.1 Differentiation

According to Burton and Obel (2018), the starting point of organizational design is the differentiation. Differentiation can be understood as the division of the organization as a whole into smaller sets of tasks (Lawrence & Lorsch, 1967; Burton & Obel, 2018), also referred to as *subtasks* (Galbraith, 1974). The subtasks are thereafter assigned throughout the organization to either individual employees or subunits, based on how the various activities and roles are intended to interact with one another (Burton & Obel, 2018). By doing so, the organization can reduce and define the scope of the responsibilities that have been assigned among both employees and subunits (Blau, 1970). However, attention must be paid in regard to the internal complexity that can result from an organization that is “too” differentiated, as this can create problems for the second design activity (Blau, 1970). Differentiation is therefore an analytical activity for the organization to deal with prior to the execution (Burton & Obel, 2018).

Depending on how an organization decides to deal with the differentiation activity, in other words how the organization decides to break up the main task and assign it to various actors, the design outcome can largely vary. According to Blau (1970), there can be more or less dimensions of differentiation. Blau (1970) defines a dimension as “... *any criterion on the basis of which the members of an organization is formally divided...*”. Such divisions can refer to the vertical division of labor among the organization’s employees, where formal hierarchical authority levels create differentiation. Dimensions can also be formed based on the horizontal division of the organization as a whole into subunits, like functional divisions (Blau, 1970). Thus, organizations can be more vertically differentiated, meaning a differentiation with many different hierarchical levels, or horizontally differentiated, referring to a division of numerous organizational tasks on the hierarchical same level (Blau, 1970).

Blau (1970) argues that larger organizations tend to be differentiated into a larger number of components, both vertically and horizontally. This may in turn lead to that the various

differentiated lines become internally differentiated themselves. Worth mentioning is, however, that even though many dimensions of differentiation, both vertically and horizontally, can provide better boundaries of responsibilities within an organization, it simultaneously results in a more complex organizational structure (Blau, 1970). Such complexity can be defined as “... *the condition of being composed of many, usually interrelated, parts*” (Fredrickson, 1986). Furthermore, when an organization grows larger, or becomes more complex, the communication between employees of various subtasks becomes limited, and the assurance of maintaining the same effectiveness becomes more difficult (Galbraith, 1974). Based on this, Galbraith (1974) means that the design problem is to organize an organization which allows interdependent tasks to function without having a large number of task performers to actually be dependent on one another. This calls for a need of coordination and control among the numerous dimensions of differentiation to fulfill the organizational purpose.

1.2.2 Integration

The second central activity within organizational design concerns the integration of the organization’s task division and task assignment. Differently from the activity of differentiation, Burton and Obel (2018) mean that this activity is a management issue that is occurring in real time. After having differentiated an organization into smaller task, the tasks must be re-aggregated in a way in which they uniformly fit and flow for the achievement of the organizational mission and overall purpose (Lawrence & Lorsch, 1967; Van de Ven, Delbecq & Koenig, 1976; Hinrichs, 2009; Burton & Obel, 2018). Consequently, the integration is much dependent on the previously made decisions regarding differentiation. Based on the differentiation, the options for achieving a well-functioning integration of the tasks can be more or less limited depending on the mapping of the organizational activities (Burton & Obel, 2018).

According to Galbraith (1974), the problem of organizational design lies in the activity of integration. The difficulty exists in the fact that single subtasks or subsystems are interdependent for the fulfillment of the organizational purpose. Hence, whether a task in an organization is performed effectively or not does not only depend on the performance of the single task itself, but also on the performance of other interdependent subtasks. Since the executors of various subtasks are often unable to constantly communicate with one another, some type of coordination mechanism is needed for allowing the tasks to be unified regardless

(Galbraith, 1974). The use of coordination mechanisms, both horizontal and vertical, has been noted to increase as the interdependency between tasks increases (Van de Ven, Delbecq & Koenig, 1976). Therefore, deciding between various coordination mechanisms is, similarly to differentiation, a design problem which needs to be pre-planned (Burton & Obel, 2018).

There seems to be a unified agreement between researchers of organizational design that depending on the state of the organization, different types of coordination mechanisms are more appropriate than others for achieving efficient integration (Van de Ven, Delbecq & Koenig, 1976; Baligh, Burton & Obel, 1996; Adler, 2001). This agreement can in turn be connected to what is known as “contingency theory” within organizational design. Contingency theory implies that the optimal design for an organization is contingent on internal and/or external variables such as for instance size, strategy and environment (Baligh, Burton & Obel, 1996). The idea of the theory is therefore to be able to provide organizations with design recommendations when possessing certain features (Baligh, Burton & Obel, 1996). It has for instance been observed that a factor that tends to result in greater usage of hierarchical coordination mechanisms is increasing unit size, although only to a certain limit (Van de Ven, Delbecq & Koenig, 1976). Consequently, the contingency theory emphasizes that there does not exist a “one type fits all” for organizational design, as different organizations confront different contingencies (Burnes, 1996).

Lawrence and Lorsch (1967) refers to the pre-existing programs and the controlling of behavior within an organization as *structure*. The structure affects employees in an organization as they become statements of how they are intended to act and what to expect from others. Organizations can have a higher or lower degree of formalized structures, but also different degrees of formalized structures of various subsystems within the organization (Hall, 1962; Lawrence and Lorsch, 1967). A factor that can determine the degree of the structure, or in other words, to what extent the organization is coordinated based on predetermined programs, is the certainty of the environment (Lawrence & Lorsch, 1967). Lawrence and Lorsch (1967) noted that certain environments tended to result in a higher degree of formalized structure. Accordingly, the subsystems whose environment were more uncertain had instead a lower degree of formalized structure (Lawrence & Lorsch, 1967).

The best-suited coordination mechanism can also depend on other factors, such as the task uncertainty (Hall, 1962; Galbraith, 1974; Van de Ven, Delbecq & Koenig, 1976). Van de Ven, Delbecq and Koenig (1976) defines task uncertainty as “... *the difficulty and variability*

of the work undertaken by an organizational unit". Differentiation that mainly is made vertically often applies the use of authority as a coordination mechanism, for the purpose of integrating the divided labor (Adler, 2001). By using authority, knowledge within the organization is viewed as limited, which is why the use of it is centralized at certain positions, units and levels (Adler, 2001). This type of differentiation and integration is known to be much effective for certain tasks that are performed as a routine. Under these circumstances there is little need of knowledge by the workers performing the tasks (Adler, 2001). Additionally, in cases where the task uncertainty is low, a large part of the activity can be pre-planned and thus be executed more efficiently (Hall, 1962; Galbraith, 1974).

When there is great uncertainty of a task, more information is required to be processed when executing the task (Galbraith, 1974). Additionally, such information processing may need to be processed between subtasks. Consequently, this hinders the possibility of using coordination mechanisms that for instance require pre-planning, since the task is not performed on routine (Galbraith, 1974; Adler, 2001). Also, if organizations are differentiated vertically, and uses authority as a coordination mechanism, Adler (2001) argues that employees may lack knowledge to solve the uncertain task as well as willingness to share knowledge. The solution to this design issue is therefore, according to Galbraith (1974), to either strive to reduce the needed information to execute a task, or to adapt the integrating mechanism for better information processing between subtasks. Such adaptation due to increased task uncertainty can for instance be done by applying coordination mechanisms that promote communication through horizontal channels, while decreasing the usage of vertical coordination mechanisms (Van de Ven, Delbecq & Koenig, 1976).

1.3 Eras of Organizational Models

Many of the organizational theories, which in turn have given rise to various organizational designs, have their roots in manufacturing and service industries from previous decades (Felin & Powell, 2016). This time can be referred to as the industrial age, and the competitive environment during this time can be described as rather stable (Teece, Peteraf & Leih, 2016). Achieving efficiency was much needed during the industrial age, as opposed to the possibility of responding to the external environment (Hinrichs, 2009). Consequently, since stable environments allow for a higher degree of formalized structure (Lawrence & Lorsch, 1967), some widely used tools for organizing included hierarchies, clear boundaries and high control that provided the right conditions for high efficiency (Hinrichs, 2009).

The emergence of the traditional forms of organizational designs can be recognized, more specifically than the industrial age, during specific times in history, “Economic Eras” (Miles et al., 1997; Miles, Snow & Miles, 2000; Miles et al., 2009). The standardization era and the customization era are two economic eras that have formed the functional model, the multidivisional model and the matrix model (Miles, Snow & Miles, 2000; Miles et al. 2009), and these three are among the most common ways of organizing (Fassoula, 2004). Miles, Snow and Miles (2000) define the starting of a new economic era as “... *when a new meta-capability forms in the minds and behaviours of management pioneers*”. New forms of organizing often appear as a result of new available technologies and market innovation. The presence of new technology provides new possibilities, opportunities and business models to organizations (Miles et al., 2009). As most organizations want to seize those new opportunities before others for further winning, managers tend to practice new organizational solutions in accordance with potential business models (Miles et al., 1997; Miles et al., 2009). Often based on the already existing organizational designs, adaptations and additions are made to increase the efficiency and effectiveness in accordance with the encountered new possibilities and challenges. This is in turn visible from the traditional forms of organizing (Miles et al., 2009; Fjeldstad et al., 2012), which are summarized in table 1. They all include hierarchical features, but they differ in terms of how they are organized and to what extent they rely on such features (Fjeldstad et al., 2012).

1.3.1 The Standardization Era

The standardization era was the era from the early 1900s and was greatly connected to the large mass-productions of standard goods and services, the U.S industries of steel and railroads, and the signum of Henry Ford and the standard automobile Model T (Miles et al., 2009). Market penetration was the grand business model of the time, and the organizational design connected to the era was the functional model (Miles, Snow & Miles, 2000), which was found to be a good fit for single-business strategies (Miles et al., 2009). According to a functional model, the organization is organized into various functional departments, such as manufacturing, marketing or sales (Snow, 2015). Because of this, organizations are able to achieve a high specialization and efficiency within each function and the great advantage of economies of scale (Snow, 2015). The control and coordination of the functions are managed by hierarchical central figures, who for instance create forecasts, budgets and schedules (Snow, 2015). Accordingly, in the standardization era, the capability of *coordination* was viewed as a key capability to smoothly be able to organize the processes to go from raw

material to finished product (Miles, Snow & Miles, 2000). However, the design has some restraints. The ability to respond to changes in the organizational environment when being organized functionally is limited. Moreover, the functional design does not allow for production of a large variety of products (Fjeldstad et al., 2012; Snow, 2015).

1.3.2 The Customization Era

The following era is the customization era (Miles et al., 1997; Miles, Snow & Miles, 2000; Miles et al., 2009). In the U.S, the era includes the years from the 1920s to the 1980s and was a result of managers attempting to differentiate themselves against the standardized and mass-produced products with roots in the standardization era (Miles et al., 2009). By having obtained the skills of mass producing for a specific market, the skills could now be adopted in a lateral way inside the organizations to produce goods and services for other types of customers (Miles et al., 1997; Miles, Snow & Miles, 2000). The pioneering organizations of the era began to pursue the business model of market segmentation by differentiating their products with the aim of gaining competitive advantage (Miles, Snow & Miles, 2000). As a result, the customization era brought the *multi-divisional design model*, which enabled organizations to offer goods and services to various segments by understanding the specific needs of customers (Miles et al., 2009). Accordingly, as opposed to large-scale production and sales, the new design was based on market demands (Burton & Obel, 2018). Information was therefore considered as a key asset during the era, and to make use of it in the best way and successfully differentiate products for various segments, the organizational capability of *delegation* was necessary to allow for a more decentralized decision-making and operation based on the collected information (Miles, Snow & Miles, 2000).

The divisional design allows for organization in autonomous divisions (Mee, 1969). Everything needed for completing the value creation of a product is to be found within each specific division, and the work is controlled by a division manager who is responsible for the divisional outcome (Mee, 1969). Some functions, nevertheless, such as finance and R&D, remain centralized for a better resource allocation between the various divisions by the managers with higher authority (Snow, 2015). Organizations who are organized according to a divisional design find the structural advantages in being able to serve the customers of the various divisions separately, and to learn more about each segment (Snow, 2015). This results in increased flexibility and a possibility of better understanding and responding to market opportunities. However, a disadvantage brought by this type of organizational design is the

limitation of resource sharing between the various divisions (Fjeldstad et al., 2012; Snow, 2015).

An additional design form which also has its roots in the Customization era, although in its later years, is the matrix design (Miles et al., 2009). The driving factor for its emergence was the changing market conditions (Mee, 1969; Miles et al., 1997). The principal business model was still market segmentation (Miles, Snow & Miles, 2000; Miles et al., 2009), however, the matrix design evolved with the purpose of enabling a flexible and adaptable use of resources within the organization (Mee, 1969). It aims to be an organizational design which offers the best qualities from the functional and divisional design (Snow, 2015). That is, the organizing for achieving high efficiency and possibility for great specialization, offered by the functional model, and the possibility for segment customization and flexibility derived from the divisional model (Mee, 1969; Snow, 2015; De Smet, Kleinman & Weerda, 2019). Consequently, the matrix design is more advanced than the previous designs, and Mee (1969) describes it as a “*web of relationships*”.

In matrix organization, the work is organized around various projects. Each new project is assigned its own manager, who oversees running the project and leading the team composed of the needed and qualified employees for the project (Mee, 1969). Hence, each project can resemble various divisions, similar to the divisional design model. The resemblance of the functional model can instead be seen from the fact that all employees initially are grouped in various functions, based on their skills and knowledge. The project teams are thereafter made up from the employees, based on the needed skills for the project. Once the manager has completed its mission of the project, the manager, as well as each employee in the project team, is transferred to its original functional department and can thus be reassigned to a new project. This in turn allows the organization to be efficient as well as flexible as it always can start on new assigned projects. Moreover, this form of organizing can also be useful for the creation of new products (Mee, 1969). However, although there are many advantages offered by the matrix design by combining advantages from other organizational models, the combination comes at the price of increased internal complexity (Snow, 2015; De Smet, Kleinman & Weerda, 2019). The complexity can in turn cause a reduction both in general speed, and speed of decisions (De Smet, Kleinman & Weerda, 2019). Mee (1969) also mentions that the design potentially is not suitable for all workers in the sense that working around projects implies a continuously changing work which by some may be considered less comfortable.

Organizational Form	Functional	Multi-Divisional	Matrix
Economic Era	Standardization	Customization	Customization
Business Model	Market Penetration	Market Segmentation	Market Segmentation
Features	Sequentially organized functions Coordination through central control	Introduction of decentralized decision-making	Project-based work with members assigned from various functions
Advantages	Efficiency Economies of scale Specialization	Serving multiple types of customers	Resource flexibility with maintained efficiency
Limitations	Low ability to respond to environmental changes Low production variety	Limited resource sharing between divisions	Increased internal complexity Not suitable for all workers

Table 1: Summary of the Traditional Forms of Organizing. Source: Author's elaboration

1.4 Drivers for New Organizational Designs

Since the standardization- and customization era, the business environment and the technology has been largely developed, especially in the later years. For instance, digital transformation is today in many sectors crucial for competitiveness (Kretschmer & Khashabi, 2020), and industries are more knowledge intensive than before (Hinrichs, 2009). This puts the traditional models on edge as they have not been designed for creating success in the current fast-changing business environment (Felin & Powell, 2016). Instead, these evolved to address certain challenges organizations were faced with at the specific time and hence adopted their design accordingly (Hinrichs, 2009; Fjeldstad et al., 2012). Thus, as the business environment changes and becomes more complex, so does the need for new ways of organizing (Galbraith, 1974; Hinrichs, 2009; Felin & Powell, 2016; Kretschmer & Khashabi, 2020).

Aghina et al. (2018) points at four trends which have been drivers in the shift from the more industrial and machine-driven age towards where we are today. These trends are quickly evolving environments, constant introduction of disruptive technology, accelerating digitalization and democratization of information, quickly evolving environments and the new war for talent (Aghina et al., 2018). For further review in this paper, these trends have been grouped together as “Digitalization and Advanced Technology”, and “A Changed Era and a New Environment”. The review of the trends aims to highlight the reason why new ways of organizing are needed to stay competitive.

1.4.1 Digitalization and Advanced Technology

A highly relevant shift that has occurred since the emergence of organizational design theory regards digitalization and intense technological change which has provided new tools and possibilities for organizations (Travica, 1998; Felin & Powell, 2016; Bailey et al., 2019; Kretschmer & Khashabi, 2020). Such tools derived from information technology (IT) can be found in for instance communication capabilities, computing capabilities, processing- and analytical capabilities (Travica, 1998), as well as all tools connected to the Internet (Felin & Powell, 2016). Today, digital transformation is crucial in many sectors and has become highly important for gaining competitive advantages (Kretschmer & Khashabi, 2020) and to create new business models (Kettunen & Laanti, 2017; Bailey et al., 2019). However, the digital transformation can in turn have an affect the way organizations are organized (Kretschmer & Khashabi, 2020)

Bailey et al. (2019) address four factors that can cause a need for rethinking in organizational design due to the digitalization and the advancement in technology. The first factor regards the increasing intelligence of technology. In addition to previous technological skills such as automation, the technologies of today are becoming more “intelligent” and can, among other things, both collect and analyze data (Bailey et al., 2019). Leavitt and Whisler (1958) anticipated already in the 50s that IT would find its way into management and possibly affect organizational design. An anticipated effect of IT would be a reduced number of middle managers. The reason for this was that IT would have the potential to replace these jobs. This would in turn be beneficial in terms of cost, as well as a possibility of reducing the amount of hierarchical levels (Leavitt & Whisler, 1958). Thus, advanced technology can possibly have an impact on organizational design if the technology manages to perform at the same level, or even better than humans (Kretschmer & Khashabi, 2020).

The second factor mentioned by Bailey et al. (2019) is the tremendous amount of data that is available nowadays. Data can for instance be collected through for instance social media applications (Bailey et al., 2019), or various technologies and machines (Kretschmer & Khashabi, 2020). Accordingly, organizations can benefit from data usage for the purpose of better understanding the activities and preferences of customers (Bailey et al., 2019), but also to provide more information to organizational decision makers (Kretschmer & Khashabi 2020). Kretschmer and Khashabi (2020) mean that an example of how organizations can take advantage of the large access to information and the reliance on technology is to detect both more and less critical tasks within the organization. Consequently, these findings can affect the organizational design by revealing a necessity of creating new subtasks and functions, or a possibility of removing other subtasks, activities and positions, which previously may have been of high importance (Kretschmer & Khashabi, 2020). In addition to this, organizations can benefit from allowing employees to access information as it will provide an opportunity for them to develop favorable skills (Kretschmer & Khashabi, 2020).

The third factor noted by Bailey et al. (2019) concerns how the new technologies facilitate innovation and collaborations both within, and between organizations. As a result of technology, organizations can for instance collaborate by sharing certain knowledge for the purpose of their own development and for gaining new ideas. The organizational borders can consequently become looser and challenge the current market structures (Bailey et al., 2019). Moreover, Kretschmer and Khashabi (2020) argue that internally, the digital transformation can affect the interdependencies between various tasks as a result of a reduction in communication costs. Thus, interdependent activities may no longer have to be physically located together and can instead allow geographical distance between the tasks. This can in turn result in better cost efficiency for the organization. Moreover, in terms of facilitating innovation, it can for instance be mentioned that new talent can more easily be detected and reached through various online platforms (Kretschmer & Khashabi, 2020).

The fourth, and last, factor mentioned by Bailey et al. (2019), as well as by Kretschmer and Khashabi (2020), points at the rapidity and acceptance of technology by organizations, as well as consumers. An example of this is how certain applications and social media on smartphones can be used to quickly interact and communicate among organizations and consumers (Bailey et al., 2019). Kretschmer and Khashabi (2020) also highlights that organizations who move too slowly on the acknowledgement of technology can suffer in

terms of competitiveness. Because of this, Bailey et al. (2019) argues that increasingly advanced technology can alter how organizations decide to organize themselves in terms of how, when, where and by whom work is completed. Additionally, new business models can be created by for instance initiating the use of independent short-term workers, which consequently may affect the matter of organizational design as new aspects can be needed in terms of differentiation and integration (Bailey et al., 2019).

1.4.2 A New Environment and a Changed Era

A shift has been recognized from an industrial age to a knowledge age (Hinrichs, 2009), and we are currently in the era referred to as the Innovation Era (Miles et al., 2009), or the innovation economy (Teece, Peteraf & Leih, 2016). According to Miles et al. (2009) the era started to gain speed already in the end of the 1980s. The business model that defines the era is market exploration, which is characterized by a constant need of continuous innovation. Organizations who adopt market exploration as a business model seek to develop into additional markets through innovation of for instance an already established value proposition which can be done by applying new technology or other features (Miles et al., 2009). As the core of innovation is knowledge, knowledge results in being a key asset. Knowledge has most certainly always been important in order for organizations to reach success, however, the amount and speed of knowledge that is needed in the innovation era is much more intense as knowledge today quickly transfers cheaply and globally (Miles, Snow & Miles, 2000).

To increase the use of knowledge in an organization, the organizational designs with hierarchical features should be limited. Hierarchical designs can result in employees becoming passive in sharing their knowledge if it is not a task in accordance with their hierarchical position (Majchrzak et al., 2018). Additionally, if incentives are lacking for communicating knowledge higher up in a hierarchy, they might be unwilling to do so (Adler, 2001), and if they do, the information might have become distorted before it reaches the right person in the hierarchy (Teece, Peteraf & Leih, 2016). Furthermore, knowledge can rarely be given upon demand, but is instead more often offered voluntarily and unexpectedly (Miles, Snow & Miles, 2000; Adler, 2001). It is suggested that knowledge in terms of new understandings and ideas is a result of sharing and collaborative relationships (Miles, Snow & Miles, 2000). Such collaboration can occur inside the own organization, but also across the organizational boundaries (Miles et al., 2009). By increasing collaboration, the value creation and competitiveness of an organization can advance as more knowledge and resources are

shared among various actors (Snow, 2015). However, in order to do so, the organizational design should not depend on formalized structures as these can hinder collaboration and knowledge sharing, and in turn affect the desired innovation (Adler, 2001).

To successfully innovate and make use of the knowledge, it is necessary to have the talents in terms of employees inside the organization (Aghina et al., 2018). The traditional forms of organizing can pose a threat towards the ability of attracting new talent as a result of changed preferences of new generations. In a study involving 3400 students from the generation that will now be entering the job market, Gen Z, it was found that the new generation prefers innovative organizations over traditional hierarchical organizations (Graczyk-Kucharska & Erickson, 2020). Gen Zs are interested in organizations that offer flexibility and task-based work. Moreover, they want to be able to make individual contributions to their work and be able to grow on a personal level. Organizations can therefore benefit from leaving the hierarchical structures for the purpose of attracting new talent (Graczyk-Kucharska & Erickson, 2020).

Innovation can be understood as the key driver to uncertainty (Teece, Peteraf & Leih, 2016). The competitive market of today has in fact been highly affected by the rapid technological advancement (Teece, Peteraf & Leih, 2016), market entries from international players (Hinrichs, 2009; Felin & Powell, 2016), changing consumer demands and short-lived products (Tallon & Pinsonneault, 2011). This has in turn led to an increased use of the acronym VUCA, which stands for *volatility*, *uncertainty*, *complexity* and *ambiguity* (Bennett & Lemoine, 2014). Organizations have always been faced with uncertainty, nevertheless, as a result of the global economy of today, the speed of environmental uncertainty has accelerated rapidly (Teece, Peteraf & Leih, 2016). Consequently, organizations that are unable to respond to the more complex, fast- and often unforeseen changing external environment are, according to Felin and Powell (2016), highly unlikely to survive.

Under conditions of uncertainty, organizations can encounter difficulties if the organizational designs are based on the old tools of organizing since these models can hinder market responsiveness (Kotter, 2012a; Felin & Powell, 2016). While strong hierarchies and formalized structures with rules and routines are efficient for tasks that are stable and can be preplanned, they are on the contrary inefficient when organizations are forced to face unexpected challenges (Adler, 2001). A reason for this is that a hierarchical differentiation results in keeping the decision making concentrated at the managers. This becomes a

hindrance for moving rapidly as every suggestion for change needs approval from higher levels in the hierarchy (Kotter, 2012). Moreover, by keeping the decision-making concentrated to the top management, the knowledge and information sharing to the whole organization becomes highly limited (Adler, 2001; Hinrichs, 2009). By doing so the remaining employees have little insight and no possibility to contribute. However, this can be understood as unfavorable in the business environment of today since one of the large changes that has occurred from the time of the industrial age and the creation of the organizational design theories concerns the general workforce. Workers are to a large extent much more educated today, which in turn removes the necessity of concentrating the decision-making power to only a few (Hinrichs, 2009). Organizations that in theory function more successfully, even though exposed to risky and uncertain situations, are those with several and independent channels of communication, decision making, and ability to implement such decisions (Perrow, 1994). Additionally, the enabling of knowledge sharing among individuals within an organization for a unified intellect is often highlighted for success in complex and uncertain environments (Felin & Powell, 2016).

1.5 Conclusion

The first chapter has reviewed the key concepts of organizational design, mainly differentiation and integration, which provided understanding of how organization can be very different depending on the decisions regarding differentiation and integration (Blau, 1970). Additionally, it was clarified that the literature of organizational design does not offer a single design solution, but the design must instead be adapted based on various factors (Burton & Obel, 2018). The review of some of the most traditional forms of organizing demonstrated this as these designs clearly were formed to be in accordance with the prevailing market conditions and business models that organizations pursued at the time (Miles et al., 1997; Miles, Snow & Miles, 2000; Miles et al., 2009). However, since the time of their emergence, there has been a rapid advancement of tools, technology and digitalization (Felin & Powell, 2016; Bailey et al., 2019; Kretschmer & Khashabi, 2020). The competitive environment has been intensified which imposes market volatility and uncertainty (Hinrichs, 2009; Felin & Powell, 2016). Consequently, it can be concluded that the traditional designs no longer correspond to the decade's old market conditions they were designed to match.

The new market conditions have brought novel opportunities and challenges for organizations. Organizations are in need of designs which allow them to be responsive to the external environment (Kotter, 2012a; Felin & Powell, 2016), make use of the powerful asset

of knowledge which allow for innovation (Miles et al., 2009), and also attract new talent for future innovation (Graczyk-Kucharska & Erickson, 2020). Thus, these requirements reduce the suitability of the traditional organizational designs as they are based on hierarchical features, which in turn is a hindrance for both flexibility and innovation. For this reason, it can be concluded that organizations need to follow the path of the past and experiment with organizational designs that match the market conditions and the challenges of today, in a similar way to how the traditional forms of organizing emerged.

Chapter 2 - Exploring Newer Forms of Organizing

2.1 Introduction

In a volatile environment, the possession of valuable tangible assets (Teece, Pisano & Shuen, 1997) or advantages based on experiences (Felin & Powell, 2016) are no longer a guarantee of success. Instead, the successful organizations in the global marketplace of many industries are those who are responsive, flexible and quickly can offer relevant innovation (Teece, Pisano & Shuen, 1997). Therefore, the current knowledge age and innovation era has put traditional hierarchical organizations to the test (Miles et al., 1997; Adler 2001; Hinrichs, 2009; Kettunen & Laanti, 2017). Several modifications can be found in the traditional designs with the aim of improving performance and efficiency for the dynamic business environment (Kotter, 2012a). An example of this is removing a few hierarchical levels and relying less on formalized structures, and thus moving towards a slightly more horizontal differentiation (Kotter, 2012a). Another design solution has been found in internally matching the complex business environment by creating unsustainable complex matrix designs (De Smet, Kleinman & Weerda, 2019). To solely modify hierarchical designs are only effective up to a certain point. Thereafter, the traditional models become unable to keep up with the environment as they rarely can change fast enough (Kotter, 2012a).

New organizational designs are emerging as managers experiment with new ways of connecting the organizational resources and technology (Daft & Lewin, 1993; Miles et al., 1997; Felin & Powell, 2016). This has resulted in enormous success for those who have managed to master the new forms and taken advantage of the opportunities which result from the complex and uncertain business environment (Felin & Powell, 2016). The aim of this chapter is therefore to review the topic of organizational design from a more modern perspective. What does the current business environment demand from organizations and their designs in order to remain relevant? What are the new organizational designs that have emerged as a response to these demands? What are their valuable features in comparison to the traditional hierarchical forms? In order to answer these questions, this chapter will firstly provide a discussion on organizational design in relation to the environmental conditions. Thereafter agility and dynamic capabilities will be reviewed to provide an understanding of how organizations can be able to respond to the current market conditions. Lastly, the organizational requirements of today will be reviewed from a more practical perspective, through new organizational designs.

2.2 Organizing in Uncertain Environments

It is not a novel conclusion that hierarchical organizational designs can be unfavorable when operating in complex and uncertain business environments. Accordingly, nor is the insight that flatter organizations, meaning organizations with a more horizontal differentiation, can result in higher flexibility (Burns & Stalker, 1961), which is favorable for organizations in business environments, similar to the one of today. Organizations have always experienced more or less uncertain environments (Teece, Peteraf & Leih, 2016), and the idea of the task environment as a possible factor of influence for organizational performance and organizational design can be traced back several decades. Burns and Stalker (1961) proposed that different types of environmental conditions, referring to current technologies and the market situation, demand different ways of organizing. In doing so, they created the terms of *mechanistic* and *organic* organizations (Burns & Stalker, 1961, pp.103-108).

2.2.1 Mechanistic organizations

Under stable conditions, mechanistic organizations are suitable. Mechanistic organizations have a vertical differentiation with clear task division, assignments and responsibility boundaries (Burns & Stalker, 1961, pp.103-108). The integration is characterized by control, authority and vertical reporting relationships, meaning for instance that superiors of various levels are responsible for the contribution of subtasks to the organizational task as a whole. Decision-making is centralized at the top-management, where also a major part of knowledge within the organization is concentrated. Thus, the traditional forms of organizing which emerged during the industrial age can therefore be considered as mechanistic organization (Hinrichs, 2009). This type of organization often has a big influence on each employee's engagement in the organization. Mechanistic forms result in a state where all employees know what is expected, and what is not expected from them. By having clear responsibility boundaries, no employee should go out of their own boundaries as that would mean intruding on someone else's. Hence, the extra commitment to the organizations becomes limited (Burns & Stalker, 1961 pp.103-108).

Sine, Mitsuhashi and Kirsch (2006) finds evidence indicating that mechanistic organizations not only are favorable in environments characterized by stability but can be beneficial under uncertain conditions as well. Sine, Mitsuhashi and Kirsch (2006) noted that the use of mechanistic design features, such as clear roles and functional specialization, increased the performance in new ventures, although the environmental conditions were defined by being

dynamic and uncertain. New ventures can in general be considered as highly responsive in regard to their environment and can therefore find advantages in mechanistic design features for an increased efficiency and performance, regardless of the unstable environmental conditions (Sine, Mitsuhashi & Kirsch, 2006). Hence the results provided by Sine, Mitsuhashi and Kirsch (2006) implies that the benefits which can be derived from mechanistic organizations are not only connected to the environmental conditions, but also to the phase of the organizational life cycle.

2.2.2 Organic Organizations

When environments are defined by changing conditions and market uncertainty, rigid mechanical organizations are no longer as beneficial. Under these circumstances, Burns and Stalker (1961) mean that organic forms are needed. A comparison between the two contrasting forms can be found in table 2. An organic organization is complex in order to better match its environment. The differentiation is horizontal rather than vertical, resulting in a hierarchy with very few dimensions. The task division and task assignment are continuously changing and redefined based on the conditions, and the boundaries of responsibility are more diffused. Integration is mainly achieved by a shared commitment and willingness for the organization as a whole to succeed, but also to a smaller extent on a network structure of communication and authority for better control. Furthermore, the communication within the organization is more informative and advisory rather than directives, and it flows more freely and directly between employees, regardless of potential differences in hierarchical dimensions. In organic organizations, there is a general idea that knowledge can be located anywhere. As a result, the decision-making is decentralized and decisions can be taken by the “best authority”, meaning whoever is the most appropriate in terms of knowledge and capability (Burns & Stalker, 1961, pp.103-108).

Factors	Mechanistic	Organic
Differentiation	Vertical	Horizontal
Integration	Control and authority	Shared purpose
Task division	Clear and distinct	Continuously changing
Decision-making	Centralized	Decentralized
Individual commitment	Limited	Unlimited
Favorable environmental conditions	Certain and stable, under certain phases also unstable	Uncertain and changing

Table 2: Comparison of Mechanistic and Organic Organizational Factors. Source: Author's elaboration

2.2.3 Organizing in Accordance with Today

Although the theory of organizational design in relation to environmental uncertainty has been available for decades, most organizations today are still focusing on maintaining and increasing efficiency rather than responsiveness to the environment (Kotter, 2012a). Rajan and Wulf (2006) noted a trend of organizations becoming more organic in the sense of becoming flatter, by studying the development of hierarchies in circa 300 U.S. organizations over 13 years. The findings revealed that distance between the CEO and managers had decreased, and that more division managers had a direct reporting relationship with the CEO. In addition to this, it was noted that the use of a COO-role had decreased with circa 20%. This is in turn beneficial as flatter organizations can result in improved speed of decision making and a better ability to seize more opportunities since each decision requires less levels of approval (Rajan & Wulf, 2006). However, in order to become a future ready organization, a larger inclusion of organic features can be necessary (Hinrichs, 2009).

Today, most organizations across various industries are facing a dynamic environment which in turn demands for innovation and increased market responsiveness (Fassoula, 2004; Rigby, Sutherland & Takeuchi, 2016, Salo, 2017). Innovation does not necessarily imply developing new products or services, but also innovation in terms of speeding up processes and organizational functions (Rigby, Sutherland & Takeuchi, 2016). To better cope with

innovation and the new demands, Rigby, Sutherland and Takeuchi (2016) suggest agility. According to the current literature of organizational design, which provides countless articles on the topic of agility, there seems to be unanimity that organizations need agility when operating in the complex, uncertain and rapidly changing environment of the today (Felin & Powell, 2016; Teece, Peteraf & Leih, 2016; Baškarada & Koronios, 2017). Holbeche (2019) means that the main barriers to agility can be found in organizational design features such as bureaucratic structures, strong routines, clearly defined task boundaries and worker disempowerment. These features limit the possibilities of learning and often prevent collaboration and knowledge sharing for a continuous development. While mechanistic organizational designs may hinder agility, organic organizations are instead suitable (Holbeche, 2019) as favorable design features for enabling agility are, among others, a limited hierarchy, having employees functioning as a network and decentralization of decision making for a greater responsiveness (Teece, Peteraf & Leih, 2016). Thus, the connection between organic organizations and agility can be found in the fact that features of organic organizations allow for agility (Holbeche, 2019; Olivia et al., 2019).

2.3 Organizational Agility

2.3.1 What is Agility?

The core idea of agility is to successfully be able to cope with uncertainty (Teece, Peteraf & Leih, 2016). By being agile, organizations can become faster and more flexible in responding and adapting to its external environment, as well as continuously improving (Kotter, 2012a). This is in turn greatly desired, as the market power has shifted more towards the customers (Denning, 2015), and the need to remain competitive and relevant has become increasingly important (Kettunen & Laanti, 2017). Agility is sometimes described as an umbrella term, which includes the management practices of scrum, kanban and lean, where the combined outcome of these practices results in agility (Denning, 2016; Rigby, Sutherland & Takeuchi, 2016). Scrum refers to the usage of self-managed adaptable teams which creatively can solve more complex challenges, kanban aims on reduction in lead times and work in progress, and lean includes the constant strive of reducing waste (Rigby, Sutherland & Takeuchi, 2016). Agility is more often referred to as an organizational capability (Worley & Lawler III, 2010) or capacity (Baškarada & Koronios, 2017). In fact, Teece, Peteraf and Leih (2016) defines agility as “...*the capacity of an organization to efficiently and effectively redeploy/redirect its resources to value creating and value protecting (and capturing) higher-yield activities as internal and external circumstances warrant*”.

In a survey regarding agility, made by the global management consulting firm McKinsey & Company in 2017, it was noted that being agile contributed to many advantages (Salo, 2017). In fact, the participants in the survey who were operating in an agile environment reported better performance than all others. Similar findings have also been made by Tallon & Pinsonneault (2011), who in a separate study found a positive relationship between the direct effect of agility on firm performance. This was particularly the case for those organizations operating in volatile, fast-changing environments, and therefore risked suffering losses as a result of not being agile (Tallon & Pinsonneault, 2011). Accordingly, the survey made by McKinsey & Company revealed that organizations who found themselves in an environment characterized by volatility and uncertainty were more likely than other organizations to adopt agility (Salo, 2017). Other advantages from adopting organizational agility have been found in making sense of external knowledge. Cegarra-Navarro, Soto-Acosta and Wensley (2016) argues that agility has an impact on whether or not organizations are capable of using acquired knowledge from the external environment, with the aim of improving the organizational performance. Moreover, Cegarra-Navarro, Soto-Acosta and Wensley (2016) noted that the new knowledge that enters organizations is to some extent dependent on the agility of the organization. Without agility, organizations risk missing opportunities, as well as possibilities in defending themselves against threats (Cegarra-Navarro, Soto-Acosta & Wensley, 2016).

The greatness of agility can be connected to companies such as Spotify and Netflix (Rigby, Sutherland & Noble, 2018), and as agility has displayed its advantages, many organizations seem to be willing to transform into becoming more agile according to the survey by McKinsey & Company (Salo, 2017). However, Teece, Peteraf and Leih (2016) mean that the managerial literature often emphasizes the need of becoming agile without taking into consideration the costs related to such transformation. While it can be risky for organizations today to be organized hierarchically as it tends to hinder agility, being agile also comes with a risk as it often requires that organizations sacrifice other qualities that they have pursued. Such qualities can for instance be high efficiency and economies of scale resulting from a rigid hierarchical organizational design. Hence, Teece, Peteraf and Leih (2016) find a tradeoff between agility and efficiency. This tradeoff refers to sacrificing profits connected to standard efficiency of the organization in exchange for agility and better market possibilities and vice versa. According to Teece, Peteraf and Leih (2016), being able to manage the agility-

efficiency tradeoff in a favorable manner is in turn the advantage with organizational agility, as well as it is the reason why all organizations are not able to earn the advantage.

2.3.2 Dynamic Capabilities

In order to understand how the organizational ability of being agile largely allows organizations to be responsive, promote innovation and transform in the ever-changing competitive environment of today, dynamic capabilities must be mentioned. The dynamic capabilities are what enables organizational agility and can also facilitate the agility-efficiency tradeoff (Teece, Peteraf & Leih, 2016). Accordingly, these capabilities are important for achieving success in volatile environments (Felin & Powell, 2016). What in turn is essential for enabling dynamic capabilities is the organizational design. A favorable design is a design which adopts a differentiation which permits great information collection and gives employees autonomy in making value of the information. However, following the large autonomy, it is highly important to achieve an effective integration to avoid chaos, but also to ensure that the collected information and knowledge becomes unified with the rest of the organization for the accomplishment of the organizational purpose (Felin & Powell, 2016).

With the aim of increasing the understanding of these capabilities, both Winter (2003) and Teece, Peteraf and Leih, (2016) make a distinction between various types of organizational capabilities. Capabilities that allow organizations to continue everyday operations and non-changing processes, for instance producing and selling products in a stable manner, are by Winter (2003) referred to as “zero-level” capabilities. Similarly, Teece, Peteraf and Leih, (2016) describes the “ordinary capabilities” in an organization as those permitting an organization to complete predetermined tasks. These capabilities are not applicable when responding to the uncertain environment since they do not promote creativity. Moreover, as the review of economic eras revealed, the market conditions tend to change (Miles et al., 1997; Miles, Snow & Miles, 2000; Miles et al., 2009). Consequently, it is not beneficial to solely rely on ordinary capabilities. To remain competitive and relevant, organizations need additional capabilities which favor a better understanding of the business environment for future winning (Felin & Powell, 2016; Teece, Peteraf & Leih, 2016).

Organizational capabilities that allow for differentiation in terms of product development, serving new customer segments, or producing in a larger quantity, are capabilities that can be classified as “first-order dynamic capabilities” (Winter, 2003), or simply “dynamic

capabilities” (Teece, Peteraf & Leih, 2016). Dynamic capabilities allow the sustainment of innovation (Verona & Ravasi, 2003), capturing and development of new business models and can also result in an upgrade of the ordinary capabilities and making them more profitable in delivering customer value (Teece, 2018). Hence, dynamic capabilities are a source and an organizational ability of continuously being able to achieve new competitive advantages (Teece, Pisano and Shuen, 1997; Felin & Powell, 2016). Having competitive advantages as a result of dynamic capabilities are favorable since these in general are difficult for competitors to imitate (Teece, Peteraf & Leih, 2016; Teece, 2018). However, the ability to use these dynamic capabilities are to some extent dependent on other organizational elements, such as the organizational culture (Teece, Peteraf & Leih, 2016).

There is no general agreement regarding what dynamic capabilities are the core ones for achieving agility (Baškarada & Koronios, 2017). Teece, Peteraf and Leih (2016) categorizes dynamic capabilities into three various groups: sensing, seizing and transforming. In the same way, Felin and Powell (2016) mentions the capability groups of sensing, shaping and seizing, and Baškarada and Koronios (2017) extends the categories further and includes searching and shaping as well. The capabilities can be more or less strong, both separately by category and aggregated, meaning that an organization can be successful in sensing opportunities but have weak capabilities for seizing them (Teece, 2018). Organizations possessing strong dynamic capabilities can with great speed and extent transform and align its resources, as well as business model, into an outcome which is desired by customer needs and feared by competitors (Teece, Peteraf & Leih, 2016). Moreover, organizations who have mastered the dynamic skills can be agile when facing uncertainty and also do so without sacrificing all efficiency considering the agility-efficiency tradeoff (Teece, Peteraf & Leih, 2016).

Sensing is explained as identification and recognition of opportunities and threats, generating options on how to deal with the findings before others, and sensing of environmental volatility. When sensed that the environment does not require agility, a larger focus can be put on efficiency, meaning promoting the standard operations of the organization for profit instead of agility. Accordingly, when the environment instead is characterized by uncertainty, it can be more profitable to sacrifice the profit of the standard operations for adopting agility. Therefore, capabilities such as for instance scenario planning and creation of hypotheses based on various data can be found within this group of capabilities (Teece, Peteraf & Leih, 2016). Firms with strong dynamic capabilities have the potential to become highly successful when for instance sensing a new business model opportunity. As opposed to this,

organizations with weaker capabilities are more likely, when having sensed a new opportunity, to try to take advantage by connecting it with already existing investments and processes (Teece, 2018).

Başkarada and Koronios (2017) mean that the capability of sensing often is combined with the capability of shaping, even though, according to Başkarada and Koronios (2017), there is a large difference. Sensing refers to the detecting opportunities and threats from the external environment, while shaping refers to capabilities of creating new opportunities within the organization and is therefore closely connected with innovation (Başkarada & Koronios, 2017). Furthermore, seizing, are capabilities which promote the actual application and implementation of change based on the sensing (Teece, Peteraf & Leih, 2016), and shaping (Başkarada & Koronios, 2017). This can regard transformation of the strategy, business model and organizational boundaries. In order for competitors to quickly replicate the competitive advantages created by an organization or seize the market opportunities in a different way, it requires that the competitors have strong dynamic capabilities for enabling the change (Teece, 2018).

The capabilities categorized as transformation are those for continuing renewal (Teece, Peteraf & Leih, 2016), and capabilities connected to the possibility of transforming the design and culture in accordance with the demands (Teece, 2018). Having an organizational design that is characterized by being horizontally differentiated with a less formalized structure can be beneficial for achieving more efficient transformation (Başkarada & Koronios, 2017). However, transformation in large organizations can be difficult, especially if the organizational design is not embracing change (Teece, Peteraf & Leih, 2016).

2.3.3 Features of Agile Organizations

Worley and Lawler III (2010) mean that agile organizations contain three certain organizational features, which in turn promotes dynamic capabilities, or “value-creating” capabilities, for a sustained performance as illustrated in figure 1. These are: a robust strategy, an adaptable design, and a shared leadership and identity. The robust strategy refers to the organizational capacity of achieving results, regardless of the uncertainty of the environment. In an agile organization it is believed that single competitive advantages never will be long lasting, and because of this, a competitive advantage can be found in the capacity of fast and effective continuous change. Another element in the robust strategy is the capability of being

able to and engage in developing possible future scenarios in order to be able to choose direction, and to be better prepared when the future arrives. Thus, the agile organizations have a strong future focus (Worley & Lawler III, 2010).

The second feature of an agile organization according to Worley and Lawler III, (2010) is an adaptable design which refers to having a differentiation and integration, processes and organizational actors which enables and promotes the robust strategy and the quick changes it entails. The differentiation should cover what Worley and Lawler III, (2010) refers to as the “surface area”, meaning having employees close to all channels of the external environment. Covering a large surface area allows for greater collection of information about the external environment, and accordingly an increased possibility of recognizing opportunities and threats. By bringing such information into the decision-making processes, the organization can achieve a shared understanding of when there is a need to change. Moreover, the decision-making processes and information systems should be transparent in order to enable valuable contributions. From the organizational actors, awareness and appreciation for continuous change is expected. The rewards should be connected to the skills and competencies that employees possess and develop, as opposed to their hierarchical level, in order to create an organizational culture which acknowledges highly competent organizational actors who can contribute to creating and capturing value, and transform accordingly (Worley & Lawler III, 2010).

The last feature of agile organizations mentioned by Worley and Lawler III (2010) is shared leadership and identity. The shared leadership refers to leadership as an organizational capacity, and by viewing leadership in this way, the power within the organization becomes spread. This enables autonomy so that the employees spread across the surface area can act quickly and responsively towards the obtained information, without the need of higher-level approval. In addition to this, more employees develop leadership skills which is useful in times of change. However, in order to maintain a unified direction when having a shared leadership, the organizational identity becomes highly important. The identity should be in accordance with the organizational culture, the brand, and the reputation. Consequently, the identity represents the most stable element in agile organizations and acts as a steering wheel (Worley & Lawler III, 2010).

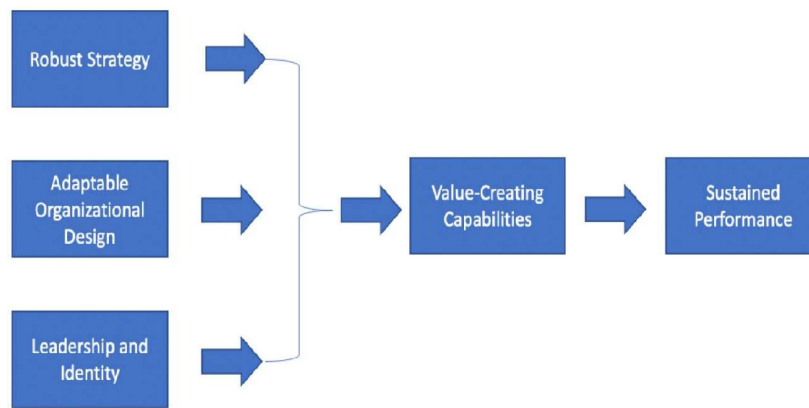


Figure 1: Three Features of an Agile Organization. Source: Worley and Lawler III (2010)

2.4 Newer Forms of Organizational Design

Achieving better performance in the business environment of today has been noted to have a connection with the organizational capability of being agile (Tallon & Pinsonneault 2011; Salo, 2017). Agility is dependent on the dynamic capabilities (Teece, Peteraf & Leih, 2016), which in turn are enabled by the organizational design (Felin & Powell, 2016). A reasonable question to ask is therefore: What are the new organizational designs that are capable of nurturing strong dynamic capabilities to promote agility? The following sections will review a couple of newer forms of organizational designs for the purpose of understanding how these are able to confront the organizational challenges of today better than the traditional, mechanistic forms of organizing. A summary of this review can be found in table 4. Nevertheless, it is firstly relevant to mention that many new forms of organizational designs most often are not novel. Designs that are claimed as “new” can often be found further back in time if enough time is spent on searching for them (Billinger & Workiewicz, 2019).

2.4.1 The Helix Organization

An organizational design model which has emerged as a result of the increasingly complex business environment is what De Smet, Kleinman and Weerda (2019), writing for McKinsey & Company, refer to as the “helix organization”, which can be increasingly found in agile organizations. Although the name is new, the design is not, but since it never previously had a name nor a clear definition it has not yet been integrated to many organizations. The design has its roots in the matrix model but provides an adaptation in having a primary and a secondary manager to respond to. The core concept of the helix is to divide the vertically differentiated managerial line into two separate lines with equal amount of power, and with

clearly defined accountabilities, as opposed to having a hierarchy which De Smet, Kleinman and Weerda (2019) mean can be found in the matrix model. Such division of the hierarchy and the managerial tasks can be compared with the double-stranded shape of DNA, illustrated in figure 2. Due to the fact that the two lines are placed parallelly, they can work with various processes and at various speeds based on the conditions, although some unified agreements are necessary for certain decisions such as business priorities and new initiatives to engage in (De Smet, Kleinman & Weerda, 2019). Moreover, a clear division of responsibilities is favorable for the employees as there no longer exists an internal complexity, as commonly in a matrix model, in regard to who to answer, and who's lead to follow. Accordingly, increased productivity and performance can be expected (De Smet, Kleinman & Weerda, 2019)

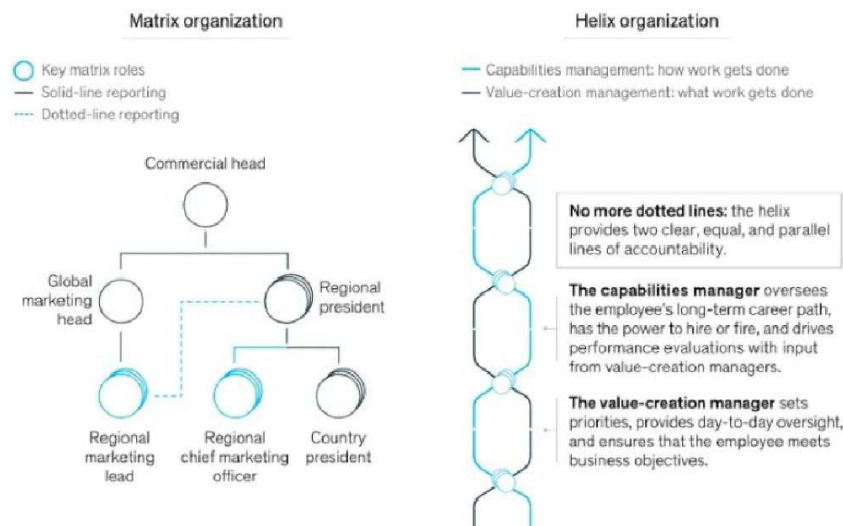


Figure 2: Representation of the Helix Organization. Source: McKinsey & Company, De Smet, Kleinman and Weerda (2019)

Similarly to a matrix design, the employees within a helix organization are pooled in various functions according to their skills. It is the task of the first managerial line to develop the employees, create working standards, identify how the work should be done, and also hire and fire. Accordingly, De Smet, Kleinman and Weerda (2019) distinguishes the manager of the first line as the “capability leader”, and this leader is what provides the organization with stability. Instead, the second managerial line, managed by the “value-creation leader”, is responsible for applying the internal resources, people and capabilities, in the best possible way among various projects and initiatives with the aim of creating high customer value. If the value-creation leader for instance discovers that something is not functioning properly, the leader can adapt the team and send back some employees to their function. Thus, this line

symbolizes the required responsiveness and quick decision-making for agility. Within the responsibility of the value-creation leader are also the tasks of creating strong team purposes within the teams, ensuring that these are maintained, day-to-day managerial supervision, and providing relevant feedback to the capability leader on the employees' performances and need for development. This removes an extra layer of hierarchy with employees on middle-management tasks, which instead allows those employees to fully dedicate themselves to other matters (De Smet, Kleinman & Weerda, 2019).

De Smet, Kleinman and Weerda (2019) point out that organizations who already have certain features of agility, possibly at team level, can scale up the agility throughout the rest of the organization through the implementation of helix since the resources become more pooled, and the allocation of resources in turn can become more dynamic. Moreover, De Smet, Kleinman and Weerda (2019) suggest that the distance and potential tensions between functions that are centralized and the decentralized business units decrease, which allow for more speed and flexibility. However, in order for achieving the benefits that can be derived from the helix it is important that the capability leaders and the value-creation leaders manage to stay in accordance with the defined responsibilities, and not take control over tasks belonging to the other managerial line, although it may imply a certain loss in power (De Smet, Kleinman & Weerda, 2019).

2.4.2 Dual Operating System

Based on the necessity of responding faster to the external environment, Kotter (2012a) presents the dual operating system, a model which Kotter (2012a) also has implemented in a number of organizations. Kotter (2012a) points out a difficulty that organizations are faced with today; they must continuously seek to gain competitive advantage, while at the same time maintaining efficient daily operations. Throughout history it has clearly been demonstrated that the traditional forms of organizing are effective in running the daily operations in organizations. Kotter (2012a) therefore means that it is still relevant for an organization to organize themselves hierarchically for this purpose. On the other hand, these ways of organizing are not favorable for fulfilling the criteria of seeking new competitive advantages. Because of this, Kotter (2012a) argues for an organizational model which combines hierarchical features for achieving efficiency, with agile features for the purpose of being agile, as opposed to having to choose between the two.

The proposed dual operating system consists of what can be referred to as two systems (Kotter, 2012a). The first system is the operating system which is the organization in its “normal” efficient form with its existing processes and structures, hierarchically organized. This system enables the organization to operate and deal with its daily operations, as well as remaining stable. However, in order to face the complex external environment and the challenges of today in an agile manner, an additional operating system is needed. The idea of the second system is to complement the first one, and to be a strategy system that constantly seeks new possibilities of developing the organizational strategy. It explores the external environment, as well as the organization itself, in search of opportunities and threats, and thereafter reacts to the findings with dynamism, speed, and creative solutions. In order to do so, the strategy system is adapting highly agile features and is organized according to a network structure with distributed leadership, which easily can adapt and change, for the enabling of its purpose. Hence, among the members of the strategy system there is no hierarchy, which is considered as favorable for increasing the speed of the network in the decision making and designing of strategic initiatives to implement (Kotter, 2012a). A representation of the dual operating system can be seen in figure 3.

The workforce in the strategy system can be referred to as the *guiding coalition*, and the positions are often applied for and thereafter selected taking into consideration the trust of the leadership, and the skills of the applicants since the guiding coalition should include all levels and departments of the hierarchy for better contribution and knowledge sharing (Kotter, 2012a). Being a part of the strategy network is an additional and not a substitutional work task. Consequently, Kotter (2012a) means that the strategy system needs a workforce that is completely voluntary, preferably around 10% of the organizational actors. The need for the actors to be volunteers is also an important feature since it means that they share the purpose of the system, want to act in favor for the organization, and therefore contribute in a sincere manner. This will in turn also give a greater meaningfulness to the work they perform. Moreover, Kotter (2012a) argues that it is beneficial that the group of volunteers actually are organizational members, as opposed to for instance external consultants, since the volunteer change agents have internal knowledge and experiences of the organization and its needs. This, as well as the fact that they have relationships with the other organizational members can positively affect their credibility (Kotter, 2012a).

As a result of adopting the dual operating system, the organization can not only become more fitted for operating in the business environment of today by embracing agility in the strategy

system, but beneficial changes can also be seen in the hierarchical operating system. By adding the second complementary strategy system, all the tasks related to strategy are transferred to the strategy system. This allows the operating system to fully focus on the task of running the operations which therefore also can result in improved efficiency. In order for the dual operating system to function, it is highly important that both systems are closely entwined, however, this is something that has been recognized as a difficulty when adopting the model. The connection between the systems is to a large extent accomplished automatically by the workforce who is engaged in both of the two systems. The remaining communication effort needs to be done by the leaders in the operating system. They must also continuously promote the strategy system as a natural and crucial part of the organization as opposed to two separate systems, since a second implementation difficulty can be found in a negative attitude towards the system among employees (Kotter, 2012a).

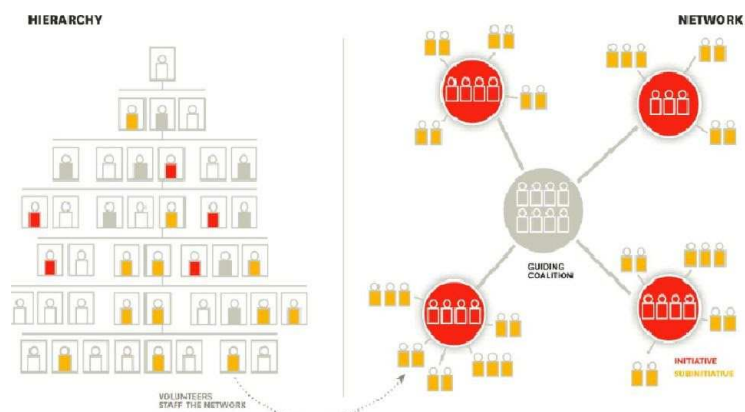


Figure 3: A Dual Operating System. Source: Harvard Business Review, Kotter (2012a)

2.4.3 Differentiation by Polyarchy and Integration by Social Proof

Felin and Powell (2016) reviews the case of Valve Corporation (Valve), a highly successful digital distribution platform in a volatile business environment, to address the organizational design of the company which has resulted in very strong dynamic capabilities. The interest in Valve's organizational design can also be found in additional literature (Puranam & Håkansson, 2015). A core value of Valve is to continuously strive towards strengthening the dynamic capabilities for the identification of new opportunities and, accordingly, the review of Valve finds a differentiation in accordance with *polyarchy* (Felin & Powell, 2016). This means a complete decentralization of decision-making to employees and full autonomy in desired actions. The advantages resulting from this is an increased speed of decision-making, and the decisions are also made by those who work closest and have the most knowledge in

regard to the emerging issue or opportunity. Additionally, the full autonomy given to the employees allows for creativity and innovation, which in turn promotes dynamic capabilities in terms of sensing, shaping and seizing market opportunities. More proposals can thus be made as more employees are empowered to act, but also responsible for developing ideas (Felin & Powell, 2016).

At Valve, differentiation through polyarchy functions in practice as employees are not assigned or hired into specific roles. Instead, employees are hired based on their ability to combine resources with the autonomy for recognizing new opportunities (Felin & Powell, 2016). Consequently, there are no employees with roles as “bosses” to be found inside Valve, and the only existing authority in the organization is the founder, who takes the final decision of hiring, and also has the possibility to fire employees (Puranam & Håkonsson, 2015). This is demonstrated in figure 4, which is a perception of the organizational chart according to employees, where the founder is the blue outlier in the first box. Thus, it is highlighted in the handbook of Valve that “...*hiring is the single most important thing you will ever do at Valve*” since the employees at the end of the day are those who are in charge of the company and its future (Valve, 2012).

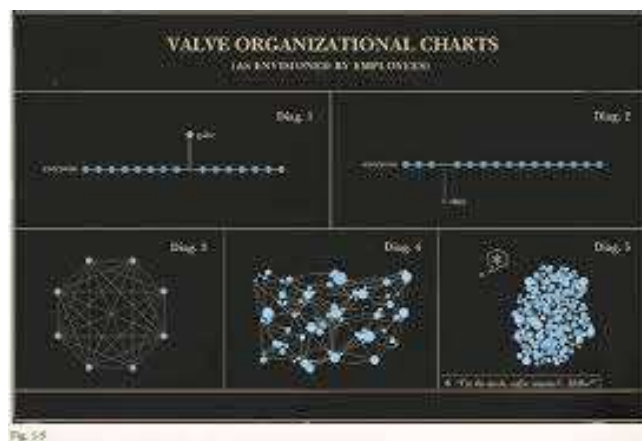


Figure 4: The Organizational Charts Inside Valve perceived by the Employees. Source: Valve Press, Valve (2012)

Following a polyarchic differentiation without integrating the various autonomous subunits and individuals can result in chaos (Felin & Powell, 2016). While a polyarchic differentiation results in an autonomous environment which gives freedom to those who have knowledge to create great opportunities, there is no real coordination between the employees, nor any accountability towards the organization. Integration is therefore needed, and the integration identified at Valve was achieved through mechanisms referred to as “social proofs”. A social proof can be described as a mechanism which, through social influence, affects the behaviors of others and therefore may be able to create coordinated behaviors. The main mechanism of social proof at Valve was identified as self-selection, meaning that the employees decided on their own whether to join the team of an already existing project, or if to create a new project. By the use of self-selection, employees become more engaged in their projects and are enabled both to sense and shape opportunities. Accordingly, this was believed to achieve greater responsiveness as opposed to traditional hierarchical controls. However, a rule which was found at Valve regarding the self-selection was the “rule of three”. The rule says that only projects with at least three people onboard were allowed to move forward. It was decided that at least this amount was necessary for creating behavioral incentives for moving forward, but also to minimize inefficiencies such as for instance duplication of effort (Felin & Powell, 2016).

There are other organizations in addition to Valve that operate by the use of polyarchy and social proofs in different types of industries (Felin & Powell, 2016). Valve has truly proven the success that can be derived from this way of organizing, however, Puranam and Håkansson (2015) address several potential difficulties when being organized as Valve. Firstly, there are issues connected to the lack of hierarchy which for instance regard the absence of status and the possibility to “climb” on the hierarchical ladder. A lack of hierarchy also implies that there is no obvious person to turn to for coaching. Secondly, Puranam and Håkansson (2015) mean that a difficulty can be found in the reward system. Due to the fact that the rewards in the case of Valve are peer-driven, there exists a risk that employees decide to engage in projects that are more visible than others, as opposed to perhaps less visible ones but with more potential. Puranam and Håkansson (2015) also consider the fact that employees may decide to engage in projects in which the “top performers” are present.

2.4.4 Holacracy

A new form of organizational design which enables the use of self-managed teams is Holacracy, developed by Brian Robertson in 2007 (Bernstein et al., 2016). In broad terms, Robertson (2015, p.12) describes Holacracy as a new way for governing and operating an organization which is defined by a set of core rules. The rules on how to run a holacratic organization can be found in the Holacracy constitution which can be understood as an important rulebook and this constitution is available online at the official website, holacracy.org (Robertson, 2015, pp.21-22). According to the website, holacracy.org, Holacracy is a managerial practice suited for today, that is, Holacracy enables agility and self-organization, and therefore moves away from typical hierarchical organizations. Hence, designing an organization in accordance with Holacracy allows for responsiveness as well as it enables employees to take part of the running the organization (Bernstein et al., 2016).

Holacracy is a design of self-management, and among all designs which are built on self-management, Holacracy is the most detailed, and the most adopted one (Bernstein et al., 2016). In fact, Holacracy can be found in hundreds of various kinds of organizations, and a famous example is the American online retailer Zappos (Robertson, 2015, p.12). The organizational chart according to Holacracy is flat in the sense that authority and responsibility of operating in accordance with the organizational purpose resides among the employees. Consequently, the decision-making power is not located to a single individual, but is instead widespread across the organization (Robertson, 2015, pp.21-24), which results not only in faster decision-making, but the decisions are also made by those who are closest and possess the most information regarding the decision (Robertson, 2007). Robertson (2015b, p.22) describes how organizations by adopting Holacracy, and thus removing the authority from a few single individuals, can find positive outcomes in eliminating the hierarchical distances which can create unwanted and dysfunctional relationships. In addition to this, managers can feel liberated from dealing with various tensions as well as the great responsibility of each decision (Robertson, 2015, p.22-23).

The organizational foundation is based on self-organizing teams, or “circles” as they are referred to within the Holacracy framework (Robertson, 2007; Bernstein et al., 2016). When implementing such self-managed teams, a much larger number is often required than in comparison with organizational units and departments. This can be seen from the Zappos-case where the organization went from having 150 organizational units to a state with 500 circles after having implemented Holacracy (Bernstein et al., 2016). All circles in an organization

have a purpose, such as for instance managing a certain department or working on a project (Robertson, 2007), but circles can also emerge, change, and dissolve based on what the employees recognize as necessary for the organization (Bernstein et al., 2016). Each circle can be recognized as a self-managed wholeness, but the circle is also a portion of an even bigger circle and a bigger wholeness (Robertson, 2007). Additionally, inside every small circle there can also emerge smaller sub-circles (Bernstein et al., 2016). Because of this, circles are not fully independent from one another and can therefore not be completely self-organized (Robertson, 2007). Guidance on how the circles should interact with one another and how to form, change and discard circles is offered in the constitution. However, the actual designing and the governing of the circles is a task of each circle to carry out (Bernstein et al., 2016).

To reach the purpose of a circle, specific accountabilities for achieving the purpose are identified by the circle, some immediately and some on the go. When an accountability has been recognized it is connected to a role, which in turn can be connected to several other accountabilities, that clarifies what can be expected from the role. The roles are in control of steering the circle towards its goal by acting in accordance with the accountabilities (Robertson, 2007). Thus, employees in holacratic organizations are assigned to roles, often in more than one circle and often different types of roles. It was for instance noted that each employee in Zappos had on average 7.4 different roles. Accordingly, the leadership is distributed among the roles, not individuals (Bernstein et al., 2016). It is the role of the “lead link” that exists in each circle to assign the right people to the right roles, and to allocate resources within the circle (Robertson, 2007). Nevertheless, members in the circle have the possibility to protest against a change in roles if the change potentially could affect the circle negatively (Bernstein et al., 2016). The lead link is also the representative of the circle in general and the one responsible for ensuring that the outcome performed by the circle is in accordance with the requirements of the larger circle (Robertson, 2007).

The role of the lead link has some leadership features similar to a manager (Bernstein et al., 2016), and Schell and Bischof (2021) points out that due to this extra power over resources, a small hierarchy still exists in the Holacracy. However, the lead link is not in charge of governing the circle (Bernstein et al., 2016). The governance of circles is decided autonomous from other circles, and commonly within each circle (Robertson, 2007). For this reason, circle members attend consistent governance meetings, and Robertson (2007) means that these meetings are a crucial practice of Holacracy. In addition to discussions on governance, these

meetings are also used to clarify roles and accountabilities if needed and to discuss new potential roles. However, fundamental aspects during these meetings are to never lose focus from the elements that form the circle, the roles and their accountabilities, and not to float away from the subject of governance and instead discuss the general operations (Robertson, 2007).

2.4.5 Teal Organization

The concept of the Teal organization was stated and discussed by Frederic Laloux (2016) in the book *Reinventing Organizations*. Laloux (2016) means that throughout history, people have found various ways of collaborating with one another for achieving tasks (Laloux, 2016, p.28). Accordingly, through such collaboration, new capabilities have emerged, shifts in consciousness have occurred and various ways of organizing have developed, where the more recent have been more advanced in respect to the others (Laloux, 2016, p. 28). Laloux (2016) makes a division of various forms of organizing through the evolution of labor into five colors which all possess their own distinctive characteristics: red, amber, orange, green and lastly teal.

In the first type, the red organization, there is a nonstop use of power by the leader over the group to keep the group together, and the leader role is gained by imposing fear on the other group members. There does not exist a formal hierarchy or other specific titles within the organization. Such features are instead strongly connected to the next organization color, amber. The organizational differentiation is vertical with several dimensions which results in a strong hierarchy, and the integration is achieved by authority and a high degree of formalized structure. Accordingly, with a clear organizational chart and top-down command in place, amber organizations create high stability, although very limited possibilities for innovation. Innovation is instead embraced by the third organizational type, orange. This type is in fact adopted by a large portion of the bigger corporations. The inner organizational focus is set on high performance, outperforming competition by for instance innovation and earning profit at almost any cost. Organizations are likened with machines where the employees are viewed as resources which need to be carefully aligned and neatly maintained. However, when moving to the green organizations, an additional step has been taken in the direction away from hierarchies. Although a very small hierarchy remains, the decision-making and empowerment is largely decentralized which promotes equality. Trust, shared values and a strong culture therefore become crucial in these organizations. Moreover, the sensation of

inclusion and strong, family-like, interorganizational relationships are other “green” characteristics (Laloux, 2016, pp. 28-62).

Organizational Color	Examples	Key Features	Metaphor
Red	Street gangs and organized crime	Constant use of power and command by the organizational top actor.	Wolf pack
Amber	Military and most government organizations	Strong hierarchical organizations with formal roles and stable processes	Army
Orange	Multinational companies, investment banks	A strive of staying ahead of competition and engagement in continuous innovation	Machine
Green	Businesses known for idealistic practices	Decentralization of power and a strong focus on culture for an improved employee involvement	Family

Table 3: Evolutionary Stages of Collaboration Forms. Source: Laloux (2016).

All these four types of organizations, which are presented more extensively in table 3, can often be found in larger cities. However, the last color, Teal, is more rarely found. This categorization in a new color category indicates a shift in the state of consciousness (Laloux, 2016, p.29). Going from the green state to the state of Teal includes an important development in consciousness and awareness of the world’s complexity (Laloux, 2016, p.71-72). Teal organizations can be referred to as a “living organism”, continuously evolving towards an increased consciousness (Laloux, 2016, p.88). Laloux (2016) describes three pillars that can be found in these organizations: self-management, wholeness and evolutionary purpose.

Teal organizations have no need of hierarchical structures, and are therefore a flat type of design. These organizations are organized as what can be referred to as a network of teams, where the teams are self-managed (Laloux, 2016, p.484), and they integrate themselves through peer relationships and mutual trust (Laloux, 2016, p.89). By having a meaningful organizational purpose, which also is shared among the organizational members, employees have the willingness to work for the organization’s best. Consequently, trust as a coordination mechanism is effective and only a few rules are needed. The task division and task assignment in Teal organizations are in most cases self-selected and fluid as employees have

the freedom to move between teams (Laloux, 2016, p.484). As the concept “self-managed” implies, there is no top manager who takes the final decision or the overall accountability as in hierarchical organizations. Instead, in Teal organizations, the organizational members often have various roles, although only on a team level, with clear areas of responsibility (Laloux, 2016, p.486). Hence, none of the areas “belong” to any specific member, meaning that everyone can be more or less involved in the various areas (Laloux, 2016, p. 179). Accordingly, there are no individual bonuses or similar that are distributed in Teal organizations, profits are fairly shared (Laloux, 2016, p.208). Furthermore, self-management offers a possibility to each member to make decisions which result in a completely decentralized decision making. However, for certain decisions, the member should consult other involved members, as well as those members who are the most experienced ones on the topic (Laloux, 2016, pp.149-151).

The second pillar is the pillar of wholeness. As opposed to other types of organizations, the members of Teal organizations are encouraged to bring themselves fully into the organization, as opposed to solely their professional side. By doing so, the full competence and potential of each organizational member is at disposal for the organization which allows for greater things to happen. This is in turn largely enabled by the self-management in Teal organizations since no idea, competence or feeling is hindered by for instance superiors or competition among colleagues. Hence, a wholeness can be achieved as employees can be themselves to the fullest, which also contributes to the creation of a community. This cannot only result in further trust among the members, but also in an increased creativity and energy (Laloux, 2016, pp. 209-250).

The last pillar of a Teal organization is the evolutionary purpose, which is also connected to the idea of the organization as a living organism. The evolutionary purpose of Teal organizations provides a deeper reason for the organizational existence. The mission of the organization is not simply words put down in writing just for the sake of it, but is instead a well-used guide (Laloux, 2016, p.278). Members of the organization work with the aim of achieving the organizational purpose, and thus, the pursuing of the organizational existence (Laloux, 2016). The strategy of how to do so is a result of the employees collective reasoning and caring for the organization. Another interesting and rather unique feature of Teal organizations is that they do not really consider themselves to have competition. Those who potentially could be considered as competitors are instead invited to be involved in the strive towards achieving the organizational purpose (Laloux, 2016, p.320).

It can be understood that certain elements are needed from the participating practitioners of the Teal model in order to make it work (Wyrzykowska, 2019). For instance, it is necessary that managers are able and willing to share the right of power to teams and employees. Moreover, the other employees must develop the skills needed to self-manage (Wyrzykowska, 2019). Consequently, the model might not be suited for all organizations to implement immediately, and in some cases a gradual implementation of the model is more beneficial as opposed to a radical transformation. Such initial steps can for instance be increased decision-making autonomy and more team-based activities (Wyrzykowska, 2019).

Organizational Model	The Helix	Dual Operating System	Polycarchy & Social Proof (based on Valve)	Holacracy	Teal
Purpose	High dynamic use of resources and low internal complexity.	Achieve both efficiency and agility.	Increase innovation and market responsiveness.	Enable agility self-organization to be in accordance with the reality of today.	Fulfilling the organization's evolutionary purpose.
Key design features	Similar to a matrix design, but the managerial line split in two with clear accountabilities. Resources are pooled.	Hierarchical core operating system complemented by an agile strategy system for strategic initiatives.	No roles, complete employee autonomy and decision-making power. Employees are in charge of running the organization.	Network of self-managed circles in which employees are assigned roles and responsibilities.	Network of self-managed teams. Employees form a community and act in favor for the organizational purpose.
Differentiation	Vertical dimensions exist (Value-creation leader and capability leader).	Vertical in the core operating system and flat in the strategy system.	Flat. The founder possesses a few possibilities of authority. Self-selection to innovative projects.	Flat. Leading, but no governing, roles exist. Lead links assign roles with possibility to protest.	Flat. Self-selection to tasks and fluidity between teams.
Integration	Control by the leaders and strong team purposes.	Authority and control (operating system) Shared purpose (strategy system).	Social proofs, minimum 3 people to start a project.	Holacracy Constitution Self-responsibility Circle meetings The Lead Link (to some extent)	Peer relationships Trust The organizational purpose Few rules

Table 4: Summary of Presented New organizational Designs. Source: Author's elaboration

2.5 Conclusion

The conclusions of this chapter can be summarized in a model, illustrated in figure 5, with three main propositions, the *why*, the *what* and the *how*. The *why* refers to the understanding of why organizations need to change. As proposed by Burns and Stalker (1961) already 60 years ago, depending on the operational condition of the environment, certain types of organizations can be more appropriate than others. The proposition suggests that organic organizations are more suitable than mechanistic organizations when functioning in an environment characterized by uncertainty and volatility (Burns & Stalker, 1961). Accordingly, since the market of today can be described as complex and uncertain due to numerous factors (Fassoula, 2004; Rigby, Sutherland & Takeuchi, 2016, Salo, 2017), organizations should reconsider their organizational design and review more organic alternatives in order to remain competitive.

The reasoning of *what* is connected to what can be gained from shifting towards organic forms of organizing. As can be concluded from the literature presented in this chapter, organizations need to become more agile for staying ahead, or solely keeping up with the competition in the global, dynamic and complex market of the innovation era. Agility is favored by the dynamic capabilities of an organization (Teece, Peteraf & Leih, 2016), and these are in turn highly dependent on the organizational design (Felin & Powell, 2016). Hence, the *what* that can be achieved by adopting more organic features is in the valuable capacity of agility.

Lastly, the *how*, regards to how it is possible to confront all the concluded necessities when operating in the business environment of today. The answer to this can be found in new organizational models. From the presented review of new forms of organizing, it can be concluded that an evolution has occurred in organizational design innovation. The newer designs provide a greater flexibility to organizations in facing the challenges of today, and models such as Teal require a completely different mindset when dealing with organizational questions. Although to a varying extent, these new designs possess features of organic organizations, which in turn enables for agility. Thus, it can be concluded that benefits can be derived from changing from a hierarchical form of organizing into a newer, organic form. However, the large differences that exist between these forms of organizing imply an additional *how* in the *why*, *what* and *how* model, namely a *how* to engage in such change.

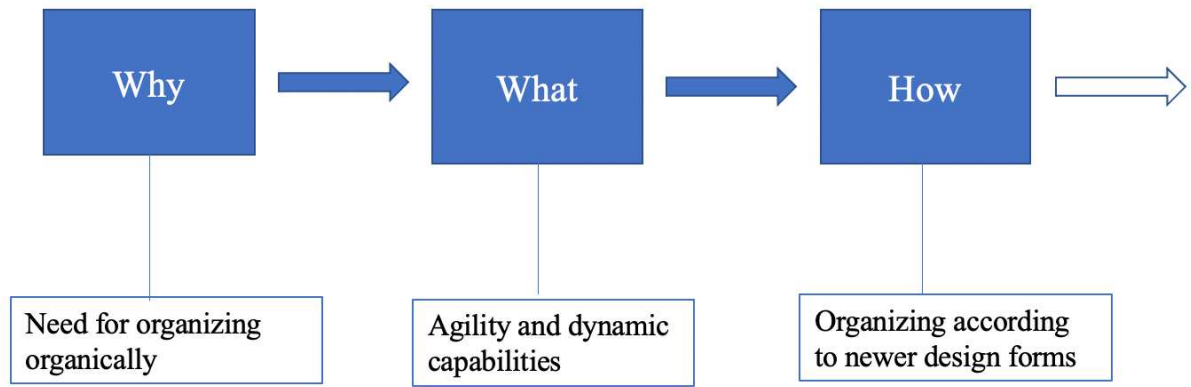


Figure 5: Summary of chapter two following a why, what and how model. Source: Author's elaboration

Chapter 3 - The Transition to Newer Forms of Organizing

3.1 Introduction

The understanding of the need for organizations to transform into new, less hierarchical, and more responsive, forms of organizing is clear. In a survey with 10,000 business and HR leaders, conducted by Deloitte, it was found that 88% of the respondents believed that it was highly important to organize for the future, meaning embrace an organizational design which enables features such as speed, agility and adaptability (Bersin et al., 2017). While this is true, changing an organization is considered to be very difficult (Worley & Lawler III, 2010). Not only does a redesigning of an organization affect the organization itself and its daily operations, but also the employees within (Aronowitz, De Smet & McGinty, 2015; Rosenberg & Keller, 2016). It is also important to implement changes where the long chain of consequences has been considered in advance, as opposed to implementing changes for solving a specific issue (Aronowitz, De Smet & McGinty, 2015; Král & Králová, 2016; Rosenberg & Keller, 2016). Engaging in a process of redesigning an organization is therefore a demanding action, and heavy decision-making is required in advance (Fassoula, 2004; Rosenberg & Keller, 2016). Consequently, there often exists a lack of confidence among business leaders for a potential transformation process which in turn becomes hindering (Rahnema & Van Durme, 2017).

Business leaders' lack of confidence before a transformation can be argued as appropriate. Research by McKinsey & Company noted that less than 25% of redesign initiatives are successful (De Smet & McGinty, 2014), indicating that new practical frameworks for successful organizational change might be necessary (By, 2005). In addition to this, redesigning and transforming an organization to an agile design form differs and is even more demanding than the transformation from one traditional form to another traditional form (Worley & Lawler III, 2010). Nevertheless, the risk of transformation can on the other hand be argued as reasonable to take, based on the current, and most likely future, environmental demands (Worley & Lawler III, 2010; Felin & Powell, 2016). Thus, an important area of research has been pointed out as how to manage the transition from a former to a new model of organizational design (Daft & Lewin, 1993; Ruigrok & Achtenhagen, 1999; Fjeldstad et al., 2012; Schell & Bischof, 2021).

The purpose of this chapter is to address the available and relevant literature of change management, taking a specific interest on changing the organizational design. The chapter will begin by reviewing why organizations decide to engage in redesign processes, followed by a discussion of the role of employees in a transformation process and resistance to change. Lastly, a discussion is presented on how the change management literature suggests organizations to transform successfully.

3.2 Engaging in Organizational Redesign

When engaging in organizational redesign, the current aligned differentiation and integration within an organization is affected (Douglas, 1999; Aronowitz, De Smet & McGinty, 2015). Organizational design is needed in order to enable organizations to achieve their business objectives (Arnold, 1981), which is why redesigning an organization demands careful planning and deep analysis, regardless of the organizational size, in order to be successful (Fassoula, 2004). Needs or reasons for having to undergo an organizational redesign can be derived from both internal and external factors (Douglas, 1999; Ruigrok & Achtenhagen, 1999; Burden & Roodt, 2009; Král & Králová, 2016). Internal factors that can trigger change can be the need for cost savings, increased profitability, business inefficiencies in single business units or in the organization as a whole, a changed business strategy, mergers and acquisitions, or outsourcings (Burden & Roodt, 2009). In some cases, the cause for change can simply be a new senior executive, wanting to put a mark on the organization, as well as showing that someone strong is in the lead (Arnold, 1981). Change can also be favorable in times of crisis (Lin, 2000; Mihajlović, Raduolvić, & Trajković, 2020), or because of other external factors such as changes in the business of clients, shareholders demanding higher returns or changes in health and safety legislation (Burden & Roodt, 2009).

Nowadays, committing to organizational change can also be necessary as a consequence of new market conditions, as for instance the intensified global competitiveness and dynamic external environment (Kotter, 1995; Douglas, 1999; Fassoula, 2004; Burden & Roodt, 2009; Worley & Lawler III, 2010). In fact, in the business environment of today, it is needed that organizations study their design and operations in order to understand if the new market conditions impose a need for the organization to change, which often is the case (Fassoula, 2004). Research conducted by McKinsey found that 70% of the surveyed global executives reported that they had been through some form of redesign of the organization within the timeframe of two years (De Smet & McGinty, 2014). This can be compared to only one or two generations back when organizational redesign was considered as rather rare (Aronowitz,

De Smet & McGinty, 2015). However, according to Aronowitz, De Smet and McGinty (2015), there exists a possible explanation for the increased number of organizational changes that are occurring. An organizational design cannot be made independently from the strategy (Fassoula, 2004), which is why changing a design should not be used as a procedure for fixing an already fragile business strategy or business model (Arnold, 1981). When transforming an organization, the design must be changed in accordance with the new operating model, which better matches the environment (Král & Králová, 2016). Thus, as organizations today make changes in the strategic direction more often than before to be able to keep up with the competition, the organizations need to redesign and transform themselves in order to be in accordance with the new strategy (Aronowitz, De Smet & McGinty, 2015).

A successful redesign can be understood as a redesign which results in an increased focus on matching the organizational resources with the strategy, a reduction of costs, clear accountability and improved decision making (Aronowitz, De Smet & McGinty, 2015). An example of this can be seen from a case studied by Vaast and Levina (2006), where a redesign effort resulted in saving of resources, a decreased lead time for delivery of projects, and a cost reduction of 20%. As opposed to this, an unsuccessful implementation of a new design can result in costs in the form of wasted time, but also a negative attitude among the employees towards future organizational redesign (Aronowitz, De Smet & McGinty, 2015).

3.3. Resistance to Change

Organizations are designed in accordance with their strategy, however, when redesigning an organization, it is important to not only consider the theoretical part, that is the boxes and lines resulting in an organizational chart, but also the employees within the organization (Schwartz & Davis, 1981). Changing the differentiation and integration within an organization can for the single employees not just result in a general organizational change, but also a change of reporting channels, change in the closest work group and change in routines of performing the work (Aronowitz, De Smet & McGinty, 2015). In some cases, all employees may no longer fit into the new design (Arnold, 1981). However, this is an aspect which often is forgotten when implementing change in organizations. Glor (2008) makes a comparison between change agents acting as engineers as opposed to architects. Glor (2008) means that when viewing change from the eyes of an engineer, each single object is possible to manipulate in order to achieve the desired outcome. However, the mistake of viewing change in this way is that individuals cannot be considered as objects, possible to modify in all different ways. Organizations are ultimately consisting of individuals (Glor, 2008).

When engaging in a process of changing the organizational design Fassoula (2004) describes the employees as one of the most critical parameters for the change process. Kotter (1995) mentions that without the support of larger parts of the organization, going through a transformation process can become close to impossible. For instance, in certain cases where it is necessary that employees make some short-term sacrifices for future winning, the employees must consider the change as necessary, but also possible to execute in order to be willing to give up on things in the short-term (Kotter, 1995). Furthermore, Glor (2008) means that when an organization desires to implement change, the change can be viewed upon as either an opportunity, a challenge, or both. Depending on how the change is considered by the single employees, and how much sacrifices the change implies, the perception of the individuals within the organization can differ in regards to the change as an opportunity or a challenge. If organizational change is considered as a challenge, it is negative for the organization as this contributes to resistance (Glor, 2008). Similarly, Amis, Slack and Hinings (2002) argue that the outcome of a change will be highly affected by the values held by the employees inside the organization, meaning if they are supportive, against or indifferent towards the change. If the proposed change is in accordance with the values held by the employees, they will act supportively, however, if not, the change initiative will most likely experience resistance (Amis, Slack & Hinings, 2002).

Resistance can be described as negative thoughts, feelings, and behaviors that individuals might have towards organizational change initiatives (Erwin & Garman, 2010), and can have a negative effect on transformation outcomes (Amis, Slack & Hinings, 2002; Schultz-Knappe, Koch & Beckert, 2019). Hence, it can be understood that employees and their involvement play a large role in making a new design implementation go from blueprint to reality (Arnold, 1981; Schultz-Knappe, Koch & Beckert, 2019). Change initiatives carried out in the wrong way can easily lead to chaos and an unwillingness to change among the employees (Abrahamson, 2000). However, resistance to change is highly common (Worley & Lawler III, 2010; Burke, 2011), and according to Isabella (1990) managers do not always have to worry about the resistance to change among employees. In fact, both Isabella (1990) and Erwin and Garman (2010) means that resistance can be seen as natural in relation to change. The resistance does not specifically have to be the result of a strong willingness to maintain the exact current state but is instead a fear of a potential loss (Isabella, 1990; Erwin & Garman, 2010). Practical implications for managers can therefore be to in beforehand prepare for and

plan possible required initiatives in order to meet and accompany the resistance (Erwin & Garman, 2010).

In a research study of peer-reviewed articles on the topic of resistance, Erwin and Garman (2010) found four main factors which influence the resistance in regard to the change process. These factors are communication, understanding, management consistency and participation. In addition to this, other literature argues that the organizational culture can be a factor of resistance (Hoag, Ritschard & Cooper, 2002; Salo, 2017), and that the organizational culture to a large extent can affect the outcome of organizational change initiatives, both positively and negatively (Schwartz & Davis, 1981; Douglas, 1999; O'Reilly, 2008). These five factors which can constitute difficulties for change implementation, and possible ways of managing these, will be further discussed below and ultimately summarized in table 5 with recommended actions to positively affect the factors.

3.3.1 Communication

When engaging in organizational change, there must exist a vision that the organization can steer towards. Without a clear vision the change becomes confusing and unmotivated for the employees. Communication is therefore a crucial tool in order to bring on board employees in an organizational change process (Kotter, 1995), and accordingly achieve a successful transformation of the organizational design (Král & Králová, 2016). However, not just any type of communication has the possibility to do so. The way that leaders choose to communicate the message of change can affect how the change is perceived by the employees (Aronowitz, De Smet & McGinty, 2015). Additionally, within the communication aspect there are several components that matter such as timing (Rosenberg & Keller, 2016), communication channel (Král & Králová, 2016; Rosenberg & Keller, 2016) content (Rosenberg & Keller, 2016), the amount and frequency (Kotter, 1995; Král & Králová, 2016).

Regarding the timing of communication, Rosenberg and Keller (2016) found that it was perceived by employees that the management was keeping information from them, as well as kept them “out” and on a clear hierarchical distance, when they received the communication regarding change only once the decision was already taken by the top management. By doing so, the management also risks creating feelings of insecurity and mistrust among the workforce (Hoag, Ritschard & Cooper, 2002). However, from the managerial perspective, communicating to the workforce once the decision already is finalized can instead radiate a

strong belief in the decision as well as control (Rosenberg & Keller, 2016). Král and Králová (2016) mean that frequent and two-way communication is required for a successful transformation of the organizational design. Moreover, Kotter (1995) argues that the top management should use all possible communication channels to communicate the vision of change in a credible manner that raises excitement. A new possible tool for achieving effective communication to support the engagement in organizational change processes was found by Aslam et al. (2018) to be social media, which also is favorable as it enables a two-way communication. Nevertheless, face-to-face communication in times of change is particularly viewed as positive among employees, and most preferably it would be the top-managers who communicate face-to-face with those being affected by the change, as opposed to only communicating with other managers (Rosenberg & Keller, 2016).

The content that is communicated regarding the change should be transparent and clear for a positive attitude towards the change (Hoag, Ritschard & Cooper, 2002; Erwin & Garman, 2010; Rosenberg & Keller, 2016; Schultz-Knappe, Koch & Beckert, 2019). According to the findings by Rosenberg and Keller (2016), reactions among employees are to a larger extent positive when information is shared effectively and employees feel that the communication is clear and reasonable, as opposed to hiding relevant information. Hoag, Ritschard and Cooper (2002) mean that not only can the right communication, meaning open and complete communication, affect the employees in terms of being more cooperative during the change process, but it can also create trust. Trust has in turn been found by Van den Heuvel, Schalk and van Assen (2015) as a component of high importance during organizational change processes. Through trust, a need for change can be created within the employees, as well as giving a sense of urgency for it to happen. This is favorable as it will affect the attitude of employees positively toward the change and commit them to engage in the change process. However, in order to create trust, it is necessary to communicate precise information about the change (Van den Heuvel, Schalk & van Assen, 2015).

3.3.2 Understanding

In times of change, having the employees understand the various change initiatives and their corresponding implementations can be much more advantageous than the usage of formal alternatives, such as handing out guidebooks (Rosenberg & Keller, 2016). The reason for this is that an understanding enables employees to embrace the rationale behind each initiative, so that they thereafter can proceed in the desired way, as opposed to according to their own

perceptions (Rosenberg & Keller, 2016). Hence, when an organization initiates a change process, it is necessary that the employees understand why the change takes place. Not only can the understanding of change affect the resistance in a positive way, but it can also increase the confidence for success among the employees (Erwin & Garman, 2010). In order to increase the understanding, Erwin and Garman (2010) suggest that managers give relevant details to employees about the change, how the change can affect them and also what is required of them.

3.3.3 Management consistency

There is a strong need for the top management and leaders to be and to show commitment when implementing change in an organization (Fassoula, 2004). The way that managers act and communicate in relation to a change process play an important role in reducing the resistance to change among employees (Erwin & Garman, 2010). Although consistency and commitment are important both in the communication regarding the change and in the way managers behave, Kotter (1995) means that the actions of managers often speak louder than words. It is therefore crucial that managers follow their own “rules” of communicated change initiatives (Kotter, 1995). The significance of this, that managers act according to what they preach, can be seen from, although not involving organizational changes, for instance various types of leaders during the Covid-19 pandemic who communicated regulations and recommendations for the public to follow, and later were caught acting inconsistent with their words (SVT Nyheter, 2020). If managers communicate or act in a manner which can be perceived as inconsistent in regard to the change initiatives, employees can find a reason for resistance (Erwin & Garman, 2010).

3.3.4 Participation

The perception that employees have of their involvement in a change process, and their possibility to participate, affects their resistance and attitude to the overall change. Such participation can include for instance the recognition of the need to change, the designing of change initiatives and the implementation of the initiatives (Erwin & Garman, 2010). If employees perceive that they have a participatory role in the change process it is more probable that they will act supportively throughout the process. In case of the opposite, that the employees feel shut out, the resistance can emerge, and consequently affect the change process negatively (Schultz-Knappe, Koch & Beckert, 2019). When initiating a change

process Schultz-Knappe, Koch and Beckert (2019) therefore recommends incorporating an openness to discussion with the employees. Similarly, Rosenberg and Keller (2016) suggest that involving employees in the decision-making of reorganization, and allowing them to ask questions, discuss for an increased understanding, and give feedback on the reasoning by the top management before the final decision is taken, may lead to an increased satisfaction of the final decisions.

3.3.5 Organizational Culture

All organizations have an organizational culture, sometimes also subcultures, and in order to explain what a corporate culture is, Schwartz and Davis (1981) firstly explain what an organizational climate is, in order to highlight a difference between the two concepts. While the climate consists of the employees' feelings in regard to whether or not their expectations of how it should be to work in an organization are met, the culture is instead defined by Schwartz and Davis (1981) as "... *a pattern of beliefs and expectations shared by the organization's members*". O'Reilly (2008) means that the culture also can be understood as norms and standards which have been socially created. Hence, the culture is what sets expectations that the climate thereafter is measuring (Schwartz & Davis, 1981). A good climate signify that the organizational culture and the associated values have been picked up by the employees (Schwartz & Davis, 1981).

An organizational culture can be seen in the management style, how the employees act to solve problems, and also in values and attitudes (Schwartz & Davis, 1981). If the organizational culture is strong, it means that the values, regardless of the amount, are well-spread within the organization, and the members are in full accordance with them (O'Reilly, 2008). The culture, therefore, constitutes a strong power within an organization as it unifies the organizational members and influences their behaviors (Schwartz & Davis, 1981). An organizational culture is connected with the strategy and acts in favor of the strategy (O'Reilly, 2008). Consequently, when making changes in the strategy, which often implies changes in the organizational design as well, the culture can act in a resistant manner and cause failure if the current culture is largely disconnected from the new strategy and the changes it imposes (Schwartz & Davis, 1981; O'Reilly, 2008). In fact, Hoag, Ritschard and Cooper (2002) found the organizational culture to be one of the most significant hindrances when implementing an organizational change. While this is true, for an organization undergoing an organizational transformation, the culture can act in both directions (Teece,

Peteraf & Leih, 2016). In fact, Douglas (1999) noted that the organizational culture had a large positive impact on achieving a successful redesign. Thus, the organizational culture can be a valuable asset for a transformation, or a large hindrance (Schwartz & Davis, 1981).

Knowing this, it can be of interest for managers to evaluate the organizational culture prior to engaging in a change process as it may impose a need for the management to prepare for hindrance if the culture is resistant to change (Schwartz & Davis, 1981; Douglas, 1999). It is therefore recommended that managers analyze the culture and its risk towards the new planned implementation efforts (Schwartz & Davis, 1981). A first step in doing so is to try to define the organizational culture and potential subcultures, and thereafter try to connect the various aspects of the culture to various tasks and relationships. Following this, a risk assessment of the culture should be made towards the planned change and categorize the risk against each effort in one of the following categories: unacceptable risk, manageable risk and negligible risk. Efforts should then be centralized on the parts of the company culture which are crucial for implementation success, but where the risk of the changes is identified as high. In cases where the culture is found to function as a resistance to change, it can be necessary to assess if there is a way around the culture hinder, possibly implying modifications in the planned change, or if instead efforts should be put to try to change the culture, something that is considered to be very challenging and demanding (Schwartz & Davis, 1981).

Factor	Recommended actions to change implementers to reduce resistance
Communication	The content of the communication should be clear and transparent. It should be communicated frequently and occur before the final decision is made. Face-to-face communication and two-way communication is favorable, preferably from the top management.
Understanding	Share relevant details regarding change for those affected for an increased rationale and understanding. Ensure understanding of what is required among those affected.
Management Consistency	Always show commitment and always act in accordance with what has been communicated.
Participation	Aim towards a high involvement of employees through co-designing and implementation of initiatives. Include employees in discussions, decision-making and feedback activities.
Organizational Culture	Evaluate the cultural risk of resistance and thereafter evaluate if the culture is changeable or if change modifications instead must be made.

Table 5: Summary of Reviewed Factors Affecting Resistance to Change. Source: Author's elaboration

3.4 Implementing Change in an Organization

3.4.1 Change Management

Approximately 70% of change initiatives that organizations engage in fail (Beer & Nohria, 2000; Rahnema & Van Durme, 2017; Holbeche, 2019), and the rate is even higher when specifically considering redesign initiatives (De Smet & McGinty, 2014). Even though this is the case, Felin and Powell (2016) mean that operating in a business environment characterized by uncertainty with a hierarchical differentiation, and thus steering the responsiveness of the organization solely from the top of the hierarchy, can be riskier than engaging in transformation into a new organizational design. Making organizational changes, such as redesigning an organizational design, changing the organizational culture, changing the organizational size (Kotter, 1995; Beer & Nohria, 2000) or implementing new technologies (Beer & Nohria, 2000) is a part of the change management literature. The literature on change management has been active for several decades (Burnes, 1996; Bamford & Forrester, 2003) and for that reason, various approaches to change have been discussed

(Burnes, 1996; Bamford & Forrester, 2003; By, 2005), literature have offered contributions both in regards to how successfully manage transformation and change in organizations (Lewin 1947; Fassoula, 2004; Kotter, 2012; Aronowitz, De Smet & McGinty, 2015), and on addressing change failure (Kotter, 1995; Hoag, Ritschard & Cooper, 2002; Schwarz, Bouckennooghe & Vakola, 2021). Accordingly, research that reviews and maps the change management literature (Al-Haddad & Kotnour, 2015), and research which reviews the offered frameworks within (Elrod & Tippett, 2002; Rosenbaum, More & Steane, 2017) can also be found.

3.4.2 Various Approaches to Organizational Change

The literature reveals that various approaches to change exist, mainly the planned approach and the emergent approach, where the larger part of the literature has discussed the former (Burnes, 1996; Bamford & Forrester, 2003). The planned change approach obtains the view of change as going from one fixed state to another, new state. In order to do so, there are predetermined steps outlined which guide the process (Bamford & Forrester, 2003). This approach also implies an adoption of “top-down” implementation action (Burnes, 1996; Bamford & Forrester, 2003). One of the most traditional frameworks on managing planned change has been proposed by Lewin (Burnes, 1996; Bamford & Forrester, 2003; Rosenbaum, More & Steane, 2017). The model by Lewin (1947) is built on three steps: *unfreezing* (of the current state), *moving* (towards the new state) and *refreezing* (the new state). As the model only considers these three steps, it becomes a fairly general model (Burnes, 1996), however, it has created the foundation for many other planned change models (Burnes, 1996; Elrod & Tippett, 2002; Bamford & Forrester, 2003; Rosenbaum, More & Steane, 2017).

Rosenbaum, More and Steane (2017) find linkages between the model offered by Lewin and a model with more components, the eight-step model by Kotter (2012b). Based on what Kotter (2012b) has identified as the main errors during change efforts, an eight-step model for change was created (see table 6 for comparison with the model by Lewin, 1947). Step number one until step number four can be recognized as what Kotter (2012b, p.24) refers to as “*defrost a hardened status quo*”. Following this, step five to seven includes the actual implementation of change, and the final step is the anchoring of the changes that have been made in the organizational culture to ensure that they are sustained (Kotter, 2012b, p.24). The last step can be understood as an important step since sustaining a change implementation is much more difficult than to implement it in the first place (Burke, 2011). However, an issue

with planning change in a linear manner by following predetermined steps is according to Burke (2011) that the actual implementation rarely is linear. A consequence of this is that a lot of time is spent on managing the unexpected occurrences and outcomes, which also may cause the employees to give up on the planned change. In fact, Burke (2011) means that this is the most probable reason for change failure.

Three-step-model (Lewin, 1947)	Kotter's 8 Step model (Kotter, 2012b)
1) Unfreezing	1) Establish a sense of urgency 2) Create a guiding coalition 3) Develop a vision and strategy 4) Communicate the change vision
2) Moving	5) Empower broad-based action 6) Generate short-term wins 7) Consolidate gains and producing more change
3) Refreezing	8) Anchor new approaches in the culture

Table 6: Presentation of the traditional model by Lewin (1947) in relation to Kotter's 8 step model (Kotter, 2012b). *Source: Author's elaboration*

Others argue that organizational change is an ongoing process, and not simply moving from one point to another (Tsoukas & Chia, 2002). The literature on the emergent approach to change has appeared as a criticism to the planned change approach (By, 2005), although Bamford and Forrester (2003) mean that the authors promoting the emergent approach mainly seem to be unified as a result of their criticism towards the planned approach, as opposed to being unified on the content of the emergent approach. The emergent approach to change does not view change as something that can be planned into the smallest detail (Burnes, 1996; Bamford & Forrester, 2003). Instead, change is viewed as a continuous process, taking into account the influences from the external environment (Burnes, 1996). The need for this approach is implied to be the dynamic and unstable environment of today (Bamford & Forrester, 2003). In fact, if the environment was stable, the idea of changing from a fixed state

to another, as suggested by the planned approach, could be argued as reasonable (Burnes, 1996; Bamford & Forrester, 2003). Nevertheless, the emergent approach can be understood as much more suitable in times of uncertainty (Burnes, 1996). During such times, it is meaningless for top management to attempt to plan and chart all change actions that are to be made. Therefore, differently from the planned approach, the emergent approach implements change as a “bottom-up” action (Burnes, 1996; Bamford & Forrester, 2003). A bottom-up action towards change considers that fast and complex external environmental changes can occur during the implementation of change. Moreover, the change responsibility is shared throughout the organization and the role of managers is to facilitate the possibilities for employees to both identify needs of change and implement appropriate responses (Burnes, 1996; Bamford & Forrester, 2003). Such facilitation can for instance be made through changes in the organizational design and the organizational climate. In addition to this, the managers are responsible for creating an organizational vision which acts as guidance for the employees (Burnes, 1996).

Consequently, there seems to be varying opinions in the literature on the “best way” to approach and engage in a successful change process, which in turn may cause insecurity in organizations in regard to which approach to follow (Bamford & Forrester, 2003). Glor (2008) on the other hand means that organizations, as well as consultants, often act as if there existed a one best way to implement change, namely the top-down manner, which is questionable since the cases of success are few. Moreover, Glor (2008) means that most frameworks for change implies that through the implemented change initiatives, the organizational culture will change in accordance with the new implementations (Glor, 2008), even though organizational cultures are very difficult to change (Schwartz & Davis, 1981). The high rate of change failures, as well as the existence of literature which argues for varying approaches, is according to By (2005) a revelation that there still does not exist a proper framework for managers to relate to in times of change. Similarly, Burke (2011) finds the high rate of change failures to be a clear indicator that although the literature on organizational change is extensive, and ways of how to successfully manage change have been proposed, there is still a lot to be learnt. This is particularly true in regard to understanding the dynamic aspects of change (Pettigrew, Woodman & Cameron, 2001). Further research in the area is therefore recommended (By, 2005).

3.4.3 Organizational Design Change

When focusing on the change literature and research which is more specified on organizational design, the field appears to be not particularly well researched (Rosenberg & Keller, 2016). Some studies have been made on the transition process from one design to another (Barbaroux, 2011; Král & Králová, 2016; Schell & Bischof, 2021). Others have studied such change from different perspectives, for instance from an employee perspective (Rosenberg & Keller, 2016), and a middle management perspective (Balogun & Johnson, 2004). Regarding frameworks or models on how to successfully transform an organizational design, some propositions have been offered. Fassoula (2004) means that a change process can be successful when being managed as a project. The reason for this is that the change process in such a case will be created based on the specific features of the organization, and that the employees are viewed as a crucial element for success. A five-phase tool to manage change is proposed by Fassoula (2004) which incorporates features of project management, but also of total quality management and critical factors such as management commitment, resistance to change, identification of key business processes, the communication, and the time aspect, meaning giving enough time and budget to the change. According to the tool, the reason for change and the type of change is identified and determined by the top management. A project team with a project leader is then established to run the project. Thereafter, the change is prepared in terms of prioritization of change steps, definition of a time schedule and budget, a plan for internal communication and determination of short-term goals. Moreover, when the implementation of change has begun, the tool suggests evaluation after each step and collecting of feedback. The overall results of the project are then to be shared with the top management (Fassoula, 2004).

Aronowitz, De Smet and McGinty (2015), writing for McKinsey & Company, offers “nine golden rules”, applicable to organizations of various sizes, in various industries, and in various countries, and has been created based on research and experience, with the aim of facilitating redesign for managers. By following the golden rules, preferably all, Aronowitz, De Smet and McGinty (2015), mean that the success rate has proven to increase. The first rule regards the importance of having a long-term perspective before engaging in change to avoid solving one problem, but instead creating a new one. The second rule is dedicated to deeply assessing the current situation and circumstances, both internally and externally. Following this is to choose the right design blueprint, which should be based on the characteristics of each individual organization and in accordance with the strategy. Rule four encourages organizations to not only see redesign as a change in the organizational chart, but to also

include other aspects. The fifth rule suggests firstly identifying and creating roles before focusing on people. The following rule, number six, regards the coping of resistance to change and addressing the negative mind-sets with the aim of trying to change them using for instance communication. Rule number seven highlights the importance of using performance metrics and the measuring of short- and long-term performance. Following this, rule number eight regards the crucial element of communication. Communication from leaders which is personal, direct and offers a possibility of two-way communication is favorable. Lastly, the ninth rule considers risk management. By identifying possible risks that may emerge during the transition in advance, appropriate responses can be developed and hence mitigate the risks (Aronowitz, De Smet & McGinty, 2015).

The types of redesigns that are necessary nowadays are not simply a transition from one traditional organizational form to another, but instead a transition towards becoming agile (Worley & Lawler III, 2010) and organic (Holbeche, 2019). Based on the need today of being agile when operating in a dynamic business environment, there exist a relatively small number of agile organizations (Worley & Lawler III, 2010; Salo, 2017), although more organizations are undergoing agile transformations as a result of the Covid-19 pandemic (Anand et al., 2021). Worley and Lawler III (2010) state that transforming the design of an organization with the aim of becoming agile differs from transitions where the design changes from a stable state to a new stable state. It is more difficult as it is not simply a design matter, but instead a matter of organizational development (Worley & Lawler III, 2010). Moreover, Burns and Stalker (1961, p.106) mean that changing from a mechanic organizational form, where task and responsibility boundaries are clear, towards an organic form, often is viewed as difficult among managers as this implies a certain loss of control and confusion of the new role. Consequently, due to the large differences between hierarchical organizations and agile organizations, an organization cannot simply adopt agile ways of working and achieve success but must instead understand and adopt the underlying principles (Holbeche, 2019). This can for instance be seen from Romero et al. (2020), who studied the path towards a Teal organization. In the transition which took place over several years, a great difficulty for the organization was found to be understanding the full significance of the change. Understanding and accepting the change and the new approach in theory differed from understanding the deep changes in terms of values and behaviors that had to be made (Romero et al., 2020). Similarly, Schell and Bischof (2021) studied the transition towards Holacracy and noted, among other things, a need for coaches to help and support the employees throughout the transition process in learning, understanding, and adapting the new system of working.

The importance of a profound understanding of the model, and a possible need of coaching seems to be a known issue. For instance, Rigby, Sutherland and Takeuchi (2016) mean that the most successful implementations of agility in organizations often start on a very small scale, usually only in one function. Thereafter, once agility is functioning and effective in the first function it can spread to other functions as well, being somewhat facilitated by having the first function as a reference and coach (Rigby, Sutherland & Takeuchi, 2016). Anand et al. (2021) instead recommends the creation of an internal agile transformation office (ATO) when desiring to undergo an agile transformation. The purpose of an ATO is to form the transformation, facilitate the transformation by addressing and resolving issues, work towards bringing the whole organization onboard and achieve crucial and lasting changes in the organizational culture (Anand et al., 2021). In order to do so, it is important that the ATO is visible and that it acts as it promotes in terms of mindset and behavior. The ATO must also continuously highlight the benefits of change and coach the organizational leaders to adopt the right mindset to in turn set a good example for the rest of the organization (Anand et al., 2021). The values of the leaders are a crucial aspect of a change process since they more or less will be leading the change (Amis, Slack & Hinings, 2002). This is also pointed out by Worley and Lawler III (2010), who mean that a strong, consistent, and informed support is needed from the top management throughout the process to reach success as resistance to change often can be expected.

Additional contributions that have been made in regard to the transition from hierarchical to newer ways of organizing is the identification of three phases by Schell and Bischof (2021) when studying the implementation of Holacracy: the setup/starting phase, the implementation phase and the phase of life in a Holarctic organization. In the first phase the focus was on activating a new type of system and establishing changes which in the study by Schell and Bischof (2021) was the creation of circles, the definition of roles and responsibilities and training of new practices. Consequently, the first phase also implies putting behind the previous ways of working. During this phase the understanding was identified as low and the uncertainty as high. In the implementation phase the organization was in a learning state on how to work in accordance with the new system while maintaining the goal of becoming an agile organization and driven by the clearly defined organizational purpose. In the last identified phase, the organization had fully adopted the new system and was therefore adaptable (Schell & Bischof, 2021).

Worley and Lawler III (2010) provide three common steps in a transformation process towards an agile organization. The first step is the diagnosis of the organization in the sense of understanding what features are supportive or hindering towards agility, and then a following strategy process. The next step for an organization in transition is to understand the identity of the organization and align the principles of agility with the organizational identity. Worley and Lawler III (2010) point out that leaders can hinder this step if they do not fully embrace the idea of transformation as the key to competitive advantage, as opposed to traditional sources as for instance high efficiency of strong differentiation. Also, based on the identity of the organization, and whether it is considered to be accepting or not of a large change implementation, various approaches will have to be made. Hence, depending on the organizational identity, the approach to the transition can act more or less beneficially. A third common step is found in the creation, or improvement, of the organizational change capabilities. Such capabilities are needed both during the actual transformation process, but also later for the purpose of establishing change as something continuous. Moreover, it is also recommended that organizations should incorporate agile features, such as transparency, flexibility, and speed, throughout a change process of becoming agile (Worley & Lawler III, 2010). However, although the mentioned contributions are valuable, the practical implications regarding the actual implementation process are limited, and the description of the proposed steps can be considered as rather vague. Additionally, other more concrete propositions that are to be found, for instance the necessity for high involvement among employees, and the importance of implementing change in a bottom-up manner, as opposed to top-down, are not necessarily based on results deriving from a study (Holbeche, 2019).

3.5 Conclusion

Although the topic of change management has been discussed for a long period of time, the high rates of failed change initiatives argue that more research needs to be done in the field. The need for more research can also be argued by the fact that the transition towards newer, more agile forms of organizing is said to be different and more difficult in comparison to the transition from a stable state to a new stable state (Worley & Lawler III, 2010). This is in turn worrying as organizations are engaging more often in change initiatives (De Smet & McGinty, 2014), and others at least should engage in change as a result of the current business environment (Kotter, 1995; Douglas, 1999; Fassoula, 2004; Burden & Roodt, 2009). However, what can be concluded from this chapter and the reviewed literature is not only that changing an organization appears to be a difficult action, but also that resistance to change most likely will be present (Worley & Lawler III, 2010), and accordingly that employees play

a large role in the outcome of various change initiatives. While the organizational culture and the attitudes towards change initiatives by each individual employee influence the resistance to change (Amis, Slack & Hinings, 2002), so do other factors which to a much larger extent can be affected and controlled, such as communication, understanding, management consistency and participation, as demonstrated in table 5.

An additional conclusion that can be made from this chapter is that the business environment of today speaks against the suitability of the planned change approach with predetermined frameworks, clear steps for achieving a successful change, and implementing change in a linear manner. The uncertain and dynamic environment may cause unnecessary loss in time and motivation due to the need of continuously modifying the change plan (Burke, 2011). Consequently, a large part of the existing change management literature becomes irrelevant since it regards the planned approach (Burnes, 1996; Bamford & Forrester, 2003). This is in turn unfortunate as the literature and the practical implications for managing the coveted transitions towards organic forms of organizing is rather limited. Therefore, it is highly relevant to increase the understanding of how to manage the transition towards a newer form, although knowing that the possibility of developing a clearly defined framework is not probable.

Chapter 4 - Cases on the Transition to Organic Forms of Organizing

4.1 Introduction

The literature review throughout this paper has argued for a need to change the way organizations of today are organized. Organizations need to become more organic and agile in order to remain competitive in the uncertain and dynamic business environment. In doing so, the traditional hierarchical designs that often hinder agility must be exchanged to newer forms of organizing which have emerged as a response to the current conditions. However, difficulties can be found in fulfilling this mission as the frameworks for successful transformations, offered by the change management literature, seem to fail their purpose, which is demonstrated by the high rate of unsuccessful change initiatives (Beer & Nohria, 2000; Rahnema & Van Durme, 2017; Holbeche, 2019). Also, most frameworks and considerations have not been developed for the necessary transformations of today. Thus, encouraged by the fact that there has been an expressed need for research investigating the transition from a traditional form of organizational design to a newer form (Daft & Lewin, 1993; Fjeldstad et al., 2012), in combination with the recognized need of changing, this chapter is dedicated to further increase the understanding of the topical issue of transitioning to a new form of organizing. What does the process look like when organizations leave behind solid and stable hierarchies for newer, more organic forms of organizing? Are the employees resistant to such change? What tools and processes can be understood as successful in doing so, and what are the challenges?

The purpose of the study presented in this chapter was to respond to the requested need of research and provide valuable insights and further increase the understanding of the transition process from a traditional form of organizing to an organic organizational design. The contributions deriving from the study could be of value both for those who wish to engage in such a process and for potentially developing a future framework and increase the rate of successful change initiatives. This should in turn be of high interest due to the conditions of the current business environment. Accordingly, the research question that the study was aimed to answer was the following:

What are successful ways of undergoing a transition from a traditional, hierarchical organizational design to a more organic design?

4.2 Method

To be able to answer the research question of this paper, and to realize the purpose of the study, a case study approach was adopted. The case study methodology was chosen based on the qualitative nature, and the favorability of the method to understand various dynamics in a specific context (Eisenhardt, 1989). This was considered as favorable for the purpose of the research. Additionally, the case study methodology was supported by the fact it had been successfully applied in several other studies which studied the transformation of an organizational design in various aspects (Ruigrok & Achtenhagen, 1999; Balogun & Johnson, 2004; Vaast & Levina, 2006; Barbaroux, 2011; Král & Králová, 2016; Rosenberg & Keller, 2016; Schell & Bischof, 2021). However, a disadvantage connected with the case study methodology is that the results are much more limited in comparison to a larger quantitative study and will consequently not be generalizable. Regardless of this, the methodology was still considered appropriate and justified by the search for depth in the results which would provide an increased understanding of the transition.

Two different cases were studied in which the organizations in each case had gone through a transformation process from a more hierarchical form of organizing to a newer form of organizing, namely the Teal model. These two organizations are Zordan Srl SB and Credito Emiliano SpA. The studying of two cases was considered favorable as opposed to a single case study to further increase the understanding of the transition, and to be able to make comparisons between the two cases. Hence, a first reason why the two organizations were chosen was because they had adapted the same model, and the results would therefore be comparable. Secondly, the organizations were selected based on their large differences in terms of size and industry, which was perceived as beneficial since the results would be derived from two completely different settings. Lastly, the two cases were also transitions that had been going on for a longer period of time and accordingly had come a long way in their respective process.

The transformation processes in both cases were made in co-creation with Peoplerise Srl SB, a consultancy company based in Italy, which accompanies organizations in their transformation processes “*towards new ways of doing business*” (Peoplerise). These new ways of doing business go beyond the traditional forms of organizing and Peoplerise co-creates and assists organizations in the experimentation of organizing. The core roots of theory which Peoplerise builds upon in order to do so are Teal, horizontal leadership and the

Theory U by Otto Scharmer. Peoplerise puts the importance of a shared organizational purpose and people in the center, discarding the view of people in organizations as “human resources”, and promotes ways of working which includes a distributed form of leadership and flexibility. Moreover, the approach taken by Peoplerise extends the view upon success, including not only economic profit, but also the positive impact on people and the planet. This is also reflected by the fact that Peoplerise possesses a B-corporation (B-corp) certification, meaning that the organization is “...legally required to consider the impact of their decisions on their workers, customers, suppliers, community, and the environment” (B-corporation).

When obtaining data for a case study, multiple sources for the collection of data are often used (Eisenhardt, 1989). Accordingly, the data for this study was collected through multiple sources, both primary and secondary, which also contributed to obtaining a wider perspective of each case. The data sources include reports, an article written by Peoplerise, a published video interview with Peoplerise and a representative from Zordan Srl SB on Peoplerise’s website (Peoplerise), a semi-structured interview with a representative from Credito Emiliano SpA, and interviews with the leading consultant of each case. The possibility of accessing some information was through a current position at Peoplerise

The results of the collected data follow a presentation which firstly gives a brief background information about the organization in focus. This is followed by a description of the reason leading up to the need of change to understand the main driver of change, and thereafter, the actual transformation process is presented. Lastly, each case concludes with a description of the outcomes and a summarizing table with some main takeaways from the case (table 7 and table 8). Due to the explorative orientation of the research, there was no predetermined model for analyzing the results of the case studies. Instead, the analysis aimed at identifying facilitators and challenges throughout the two transitions, and potential similarities. In order to facilitate this, the table 7 and table 8 with the main takeaways formed the basis of comparison and analysis presented in the section dedicated to discussion.

4.3 Results

4.3.1 Case One - Zordan Srl SB

Background

Zordan Srl SB (Zordan) was founded in 1965 in Valdagno, Italy and employs 55 people in Italy, and additional 30 people in the US. Zordan is a reference point for luxury brands in the

shopfitting and realization of design and interior dreams with true Italian craftsmanship. The organizational success is a result of a favorable business model, which mainly is based on the highly accurate application of technical competence, but also for valuing the importance of all the organizational actors who continuously improves and develops the organizational community.

The reason for change

The need to transit to a new form of organizing was firstly recognized several years ago. At this point Zordan had realized a necessity to change in order to better compete on the market since the organization was faced with strong competitors with cost advantages. Zordan was therefore in need of finding a way to differentiate themselves in the client relationship. In addition to this, Zordan had also recognized a need to change in the competition for new talent. It was acknowledged that talent in general, but especially from newer generations, often searched for more things in a work than a salary. The organizational purpose and the desire of doing something meaningful were understood as features that became increasingly important. Hence, a new value proposition was needed, both for clients and employees, and the organization began to strive for a deeper meaning and a purpose that was not simply based on economic profit, but instead on having a positive and sustainable impact in the world. This led up to the gaining of a B-corp certification in 2016.

Up until 2018, Zordan was organized according to the traditional matrix design. The organization was divided into different functions, such as a commercial area, technical area, service area, operations area and production area, and only a few people had access to relevant information and the authority of decision-making. These were the functional managers who were responsible for the managing of their respective department, and the project managers who acted as “internal customers” and handled the customer relationships. Consequently, the remaining employees had little insight into the processes and the overall situation and were therefore limited in the extent that they could make contributions to the ongoing projects. The organizational design became hindering in maintaining the excellent results during 2018 when the organization experienced a large increase in its client base as a result of strong commercial activity. Bottlenecks frequently occurred as relevant information and decisions were concentrated to the very few people with authority and control. Communication issues emerged and managing unexpected events was a struggle. This became visible through delays, a loss of quality control, reduced margins, and a worsened customer satisfaction. Additionally, the organizational climate underwent a negative change,

mainly caused by the increasingly stressed managers, and a dissatisfied and unmotivated workforce with low engagement. At this point, it was clear to the executive committee of Zordan that a reorganization was required to turn the situation around.

The Transformation Process

When the path of Zordan firstly crossed the path of Peoplerise, the book *Reinventing Organizations* by Laloux (2016), promoting the Teal model, was introduced to the executive committee. The book was of interest due to the increased external complexity, but also because the new way of organizing was more in accordance with the obtained B-corp certification and the creation of meaningfulness. After having exchanged thoughts and ideas with Peoplerise, it was decided that the Teal-model was the most appropriate. Accordingly, the hierarchical structure would be replaced by self-managed teams that allowed employees to freely collaborate in the fulfillment of the organizational purpose, as opposed to being steered mechanisms. This was in turn also considered advantageous in the competition for employees since Zordan, being a SME, most likely would be able to both transit and sustain such a model more easily than large competitors.

The vision with the transition to Teal was to achieve a successful implementation of the model both in operational and cultural aspects. A cultural change was considered as necessary since the Teal-model implied large changes in the way of working, such as role interpretation and collaboration, and for this reason it was aimed to have a high participation of employees throughout the process. Furthermore, to be able to coordinate and manage the transformation in terms of the organization, strategy and culture, a core team was created. This team worked closely together with Peoplerise to reflect on what was needed to transform the organization in a meaningful way. Accordingly, the core team had a high involvement in the change process and was unified in the commitment of transformation throughout the entire process. The members of the core team consisted of approximately ten people, the executive committee and the previous project- and functional managers who had been ad team leaders (TL) of the new self-managed teams based on their leading experience and contact with clients. The idea of including the TLs in the core team was to have a representative group of the organization. Due to the smaller organizational size, each TL would be able to involve their respective team members in the change process by sharing thoughts and experiences from the teams with the core team and vice versa. Doing so would in turn enable a participative change process, similar to a bottom-up action, although the initial direction of change came from the top.

The core team had an important role in communicating the change to the organization, and it was an element that received a lot of effort. One of the first actions taken was an inspirational event for all employees, held with the support of Peoplerise. During the event, the idea of change was shared and the theoretical concepts of Teal, focusing on the three pillars, self-organization, wholeness and the evolutionary purpose, were introduced so those unfamiliar with the model better could understand the benefits of change. The event was interactive and encouraged questions, suggestions and feedback. In addition to this, the core team hosted shared spaces for improving the sensemaking of the change. However, as was already anticipated, the actions of communication received various types of response. A major part of the organization was found to be enthusiastic, or at least neutral, towards the change initiative. Some employees were on the other hand described as resistant, and consequently it was important to hear those employees out and understand how many they were and who they were. Those resistant were “executors” who performed more mechanical work, mostly concentrated in the production area. Instead, those who were enthusiastic about the new change initiatives were employees who did not have routine-based tasks, and therefore recognized an opportunity to put more of their individuality into the job. To impact the resistant employees, successful results were used to indicate the benefits that could be derived from the change.

The change implementations towards a Teal-oriented model were not made all at once. A “light” approach was applied in order to affect the ongoing operations as little as possible, meaning that only small implementations of change were made initially. A first step was the creation of self-managed customer teams. Each team could be thought of as a “mini company”, consisting of employees from the various functions that had been dissolved. The teams were then assigned clients to follow exclusively which allowed all members to have a great insight in the client profiles. Accordingly, the entire team would be able to take a more active role in making proposals and sharing the responsibility for achieving successful results as they now functioned freely to create customer value. The reasoning for implementing the team structure in direct contact with the clients as a first change initiative can be explained by the following quote:

“The key element for self-organization is not to start from a theoretical model, but to observe very carefully the core process of the company, which is where the company works with the client, and start from there to create the right self-organization, fostering the client satisfaction together with the greatest potential of the workers.” - Alessandro Rossi, Consultant at Peoplerise

Only six months after implementing the self-managed customer teams, both economic and operational improvements could be seen. The same figure of self-managed teams was therefore applied to the frontline and the remaining parts of the organization as well to complete the new and largely transformed organizational chart. This resulted in a business development team, working on attracting new clients, a staff team supporting the other teams with for instance management control, information communications technology, finance and payrolls, and lastly a development and planning team. The development and planning team was responsible for welcoming and introducing new clients and later passing them forward to the customer teams. Consequently, this team also became in charge of monitoring the workload of the various teams, have an overview of the resources and intervening between teams if necessary. To ensure that all self-organizing teams were working in the same direction, communication, both between and within teams, was considered as crucial. Meetings were therefore frequently held where colleagues had the possibility to share difficulties and suggestions. Additionally, every quarter, each team met the governance to analyze the finance, processes, and planning for the company in order to include all the employees and make them feel connected with the results and the future direction of the company.

To fully become a Teal organization, efforts were also dedicated to achieving the necessary cultural change. The core team met regularly to share best practices on for instance the rethinking of the TL-role as a managerial role. According to the new model, the TL was not to be a manager, but instead a facilitator paying attention to the members and making sure that they felt stimulated and had a positive attitude towards the work. Accordingly, as opposed to being the central point of responsibility, the TL was supposed to be a diffuser of responsibility. This matter was by some considered as a difficulty in moving towards the Teal model since it required to leave behind the previous concept of roles and power and instead completely rely on trust. Workshops were also held by Peoplerise in which all employees participated to activate the desired cultural change, and to further develop the collaborative

skills to ensure the functioning of distributed leadership in accordance with the new model. However, after all change initiatives had been made, and these changes were functioning well, it was observed that the organizational culture to some extent still was characterized by “*the boss decides in the end*”. Thus, changing the organizational culture was, and still is, a long step-by-step process as small actions and events that occur on a daily basis may cause employees to fall back into old cultural habits. The culture is therefore constantly being worked on to make sure that it matches the innovative design. An example of this is the adding of screens in the common areas of the organization which shows quotes from *Reinventing Organizations* (Laloux, 2016) to spread the concepts of Teal. In addition to this, workshops held by Peoplerise are still taking place every year with the core team to keep the innovative flame alive, and to maintain the culture in accordance with the Teal-model.

The production area undertook a different transformation and was not fully included in the change process, which consequently resulted in some resistance towards the change initiatives. It remained organized more traditionally by various production functions and functioned as a service for the customer teams by producing what had been requested. Nevertheless, it was considered necessary to change the organizational culture within the production area to make it match the remaining parts of the organization which were now characterized by self-management and self-responsibility. A first step towards this cultural change was through the application of Lean thinking that was made with the support of an additional consultancy firm. Lean was considered as favorable for the purpose of steering the culture of the production area in the right direction since Lean implies a customer focus and continuous improvement. Additionally, working in accordance with Lean thinking would allow the employees to develop beneficial skills in taking greater responsibility and making more independent decisions. Thus, after an initial period of practice for the whole production area on the concepts and more practical aspects of Lean, the implementation took place and self-defining principles and rules that were considered important for the employees, were set up. However, prior to this, all involved employees had the opportunity to share thoughts and influence the decisions regarding the implementation. From the implementation of Lean and its tools, a higher involvement of the production employees were noted since everyone shared information to a larger extent. Moreover, the area had developed an environment of trust, which enabled constructive confrontation and both asking and offering help to colleagues.

The Outcome

The transformation towards becoming a Teal organization resulted in several positive outcomes for Zordan. Internal improvements could be seen in the quality control and marginality, and by measuring the work-related stress, it could be concluded that the organizational climate had improved as the stress levels had reduced. Moreover, the motivation within the customer teams increased as the complete insight in the client profile generated a possibility to contribute in a more meaningful way with a shared responsibility. The customer teams were also found to be beneficial for the clients since the new way of working allowed for contact with a whole team possessing different skills, and the communication could accordingly be made directly with a specialized team member, as opposed to solely communicating with the project manager. Hence, the customer support, communication transparency, speed and effectiveness was positively affected. In addition to this, “the little extra”, which made Zordan more attractive than competitors, was also something that was recognized by clients and had a positive impact on the satisfaction and loyalty among clients.

All the positive outcomes that derived from the transformation had in turn clear financial effects. The transitioning process towards Teal was initiated in January 2019, and already during the third quarter of the year, a significant increase in EBITDA was noted from an average of 5% to 18%. Thereafter, due to the impact of the Covid-19 pandemic and lockdowns, the organization faced certain difficulties which resulted in a large decrease in volumes. Nonetheless, the average EBITDA of 2020 still reached approximately 10%.

Main Takeaways from Case 1

Drivers to change	<p>External drivers: Presence of competitors that changed the market conditions.</p> <p>Internal drivers: Encountered inefficiencies, and the desire to find a new design that better matched the strategy of Zordan and the B-corp certification.</p>
Implementation of change	Participative top-down-approach. The top imposed a direction, but the process was co-created with employees.
Particular features in the transitioning	<ul style="list-style-type: none"> • Implementation of the TL-role • Use of a core team consisting of the executive committee and TLs for leading the change • Beginning from a small-scale implementation of customer teams • Initially excluding the production area from the change process • Application of Lean thinking in the production area for achieving a cultural change • Continuous work dedicated to the organizational culture
Encountered difficulties	<ul style="list-style-type: none"> • Some resistance to change was present, in particular by the more mechanically operators. • The organizational culture did not fully change in accordance with the new model
Factors of change resistance	Actions taken during change implementation
Communication	Communication was shared through various channels and allowed for a two-way communication where suggestions and feedback were encouraged and appreciated.
Understanding	The concepts of Teal were shared from the start to increase the understanding and moments for sensemaking hosted by the core team was available.
Management consistency	The core team was committed to the change throughout the whole process.
Participation	The core team had the highest participation in the change process. Due to the smaller organizational size everyone was connected to the core team through the TLs. Involvement can also be seen in workshops including all employees and quarterly team meetings with the governance for planning and analysis of results.
Organizational culture	All employees participated in workshops that aimed to create a cultural change and the core team worked regularly to rethink the idea of the TL-role. The application of Lean thinking enabled a cultural change inside the production area. Continuous work is dedicated to the culture.

Table 7: Summary of the Zordan Case. Source: Author's elaboration

4.3.2 Case Two - The Case of Credito Emiliano S.p.A

Background

Credito Emiliano SpA (Credem) is a bank which was founded in 1910 with the original name Banca Agricola Commerciale di Reggio Emilia. The change of name to Credito Emiliano SpA occurred in connection with the acquisition of the Milanese bank *Banca Belinzaghi* in 1983. The acquisition did not only result in a name change, but also in a growth across the regional borders. Today, Credem operates all over Italy with its almost 600 branches and business centers and has expanded beyond just banking. The Credem group consists of over 6000 employees, with societies specialized in different activity sectors, and approximately 1400 financial advisors and agents.

The reason for change

The need to change and explore new ways of organizing in the organization was mainly based on two reasons. A first reason was the increasingly complex and constantly changing external environment, deriving from the continuous regulations that were imposed by the ECB and Bank of Italy, and consequently caused a need to adapt internally. This had created an internal desire of being able to manage the complexity in a quicker way than the hierarchical design allowed, which in turn would be beneficial for the customers. The second reason was instead related to the historical willingness of Credem to empower people and enable them to develop their personal skills. Therefore, new ways of interacting had been initiated to establish favorable conditions for adopting a new organizational model based on self-management. The reason for this was that such type of model would allow for greater flexibility, empowerment of employees, widespread innovation, and a strong orientation towards the final client.

An initiative that contributed to the creation of new environment was the development of a wide system of communities of practices, such as data, inclusion, and agility. In the communities, the participants were spontaneously brought together by shared passions, regardless of their normal work role. Hence, a beginning of an organizational evolution began where groups of people with certain knowledge and willingness could emerge with the mission of solving a specific business need. Moreover, the initiatives had resulted in a practice of increased sense of responsibility, distributed leadership, trust among people, managers and the organization, goal-oriented work, error management and continuous learning. This affected the organizational culture as pointed out by the following quote:

“All these initiatives created a new culture that moved the old dominant ‘orange/green’ paradigm of Credem towards a more ‘teal’ paradigm (referring to the model of Laloux (2016) demonstrated in table 3).” - The community of Credem Semplice

In connection to the evolutionary period, in 2018, a start-up and two more mature companies of the Credem Group decided independently to experiment with a new and simple organizational model that aimed to enhance the development of peoples’ skills and self-activation. The model was characterized by a horizontal differentiation with only a few hierarchical levels. Those in managerial roles were not to be understood as “bosses”, but as “facilitators” to reach the evolutionary purpose of the organization. Leadership was instead to be managed by competence and cross-functional processes with experimentation of new roles. The result of the experimentations could be concluded as successful at the end of 2018, and accordingly, a great willingness arose to adopt a similar structure and extend it in a large scale over the Credem Group. Nevertheless, a great difficulty existed in connection with the desired operation based on the large number of employees and complexity of the internal organizational processes.

The Transformation Process

The transformation journey started inside the headquarters (HQ) in the beginning of 2019. This was when a group of initially three volunteer employees, coming from different functions, hierarchical levels, and corporate roles, formed a working group as result of a strong common passion for the change process which partially derived from reading the book *Reinventing Organizations* by Laloux (2016). The purpose of the group formation was to contribute to a transition towards a Teal-oriented model, something that the group dedicated themselves to do in addition to their daily work task. As a result of the group’s willingness, the positive outcomes in the areas of experimentation, and the support of Peoplerise who had accompanied the initiative, the management of the Credem Group agreed to engage in the transformation differently than the traditional top-down approach.

In May 2019, the group of volunteers became an established internal community with the name “Credem Semplice” (Credem Simple), which underlined the importance of simplicity when faced with complexity, and to be inspired by the guiding metaphor of the living organism that embodies the principle of simplicity. The community that later gained additional members (today there are 26) came to play a large role throughout the

transformation. Its objective was to co-create a Teal-oriented model through continuous experimentation, as opposed to relying on a premade solution, train and inspire the rest of the organization to change. In order to achieve this, Credem Semplice was characterized by agility, absence of hierarchy, and freedom of expression. Moreover, the community was nurtured by frequent meetings with exchanges of ideas among peers, and meetings were also adopted to ensure consistency within the community regarding objectives and results. In addition to this, to better guide the path and engage the members, a Manifesto with a clearly defined purpose and guiding principles was established.

Credem Semplice worked together with Peoplerise to provide what can be referred to as a training camp for employees. The purpose was to train and support employees on the necessary ideas, themes, and tools for the transformation, and to provide an understanding for the process in a perspective of greater collaboration that also would have a positive impact on the final customer. Following this, the desire was that various Units in the organization, who had recognized the necessity to change and wanted to undertake the transformation towards Teal, could approach the community for their assistance and support in the transformation. By doing so, the change initiatives would follow a bottom-up approach as opposed to a “forced” top-down change, as the willingness to change completely derived from the employees and their respective areas. However, this approach implied that if Units had not recognized a need to change, they would remain in their current state of operation. Even though this was the case, the approach was considered as accurate because it would take into consideration the element of the organizational culture as a resistance to change. Those areas of Credem who’s subculture was open for change would naturally approach the community and the change process would proceed much smoother. Regarding the more resistant Units, the community strongly believed that the change initiatives would spread in a natural manner which can be seen by the following quote:

“Induction! We predicted that the change would be so overwhelming that people naturally would embrace the new model without being compelled to it”. - The community of Credem Semplice

In June 2019, a few pilot projects with volunteer Units, consisting of a major part of employees that had a strong passion for the transformation towards Teal, began for experimental purpose, and for contributing to a “learning by doing” logic. As the Units requested the change themselves, there was no need for a big internal communication

campaign to announce the change. In each transforming Unit, a core group was created of approximately 25 self-nominated people who wanted to take a more active role in the process. These were often people who were enthusiastic about the change to be able to free their innovative potential. Some were on the other hand employees who had an initial resistance and therefore wanted to participate to be an integral part of the change process. The core group was necessary for practical reasons as some Units consisted of over 100 people, and consequently, it would not be manageable to have an equally high involvement of all employees. However, the main reason for the core group was to have the transformation process evolving fully from a bottom-up approach. Each core group participated in workshops so that Credem Semplice could understand the situation and the needs of the Unit. Thereafter, with support from the community and Peoplerise, the core group functioned as coaches for the remaining employees in the Unit and developed an internal training on the three pillars of Teal (self-management, wholeness and evolutionary purpose). Accordingly, the change was completely driven by the “own” employees of the Unit, and not by an external party who acted as a leader. To evaluate the pilots, monthly meetings were held in which Credem Semplice and the referents of the projects discussed and shared experiences and critical aspects from the journey.

During the process, Credem Semplice divided its members into various working groups with specific focus areas. The purpose of this was to better pursue its objectives, and to respond to the requests and initiatives of the pilots that had to be further explored. In accordance with the agile ways of working inside the community, self-nomination to the various work groups occurred regardless of for instance the corporate role or age and was instead completely based on skills and personal passion. One focus area regarded the development of a model with required soft skills for the new roles that were to be implemented, so that the same roles would act in a homogeneous way. A second focus area was the spreading of the Teal culture and the development of a change management path based on the experiences of the pilot projects. A third area focused on the preparation of shared criteria for the identification of new KPIs that would target the new way of working through collaboration between people. In some of the working groups, subgroups which consisted of only a few people, also emerged naturally when necessary.

After the community’s reflection on the focus areas, the experimentation of the Units entered the implementation phase of Teal which was divided in two various dimensions. The first dimension referred to the organizational aspect, and the adoption of a new organizational

model focused on self-organization, self-activation and initiative driven cross-functional teams. Consequently, this meant leaving behind the vertical differentiation and the existing hierarchical roles. With the support of the community, these roles were instead replaced by two new roles, Competence Leaders (CL) and Team Leaders (TL) who both reported to the top management with an equal recognition. The number of CLs and TLs in each Unit were dependent on the Unit and its specific situation in terms of areas of competences. As opposed to giving orders using authority, the role of the CLs and the TLs were to guide and inspire the teams within the Unit and facilitate their work. Accordingly, those who were occupying the new roles had to possess the right soft skills to be able to do so. Some distinguishing features of the TL were connected to the overall vision and coordination, including the ability to create a climate of trust for the enabling of self-organization, and the ability to enhance relationships among the team members and the external environment for the purpose of value creation. Instead, important soft skills for the CL to possess were the ability to coach and share knowledge to facilitate autonomous decision-making and effective communication, and the ability to promote the continuous development of business-related skills among employees. Most previous managers became TLs, however, due to the large number of past managerial roles, there were not enough TL roles available. Thus, many of the CL roles were filled by managers who possessed the right competence skills, but also by other professionals who had been recognized for their high level of competence. The resistance recognized among managers was almost non-existent. In fact, on the overall change journey, only 2 out of 92 managers have expressed initial resistance.

The second dimension of change considered the more cultural and internal aspect of the transition, and the implementation of the Teal value system in the daily operations. In each Unit, various issues had been identified where there was a large distance between the current situation and the situation which would be in accordance with the Teal model. Some examples of such issues related to error management, self-responsibility, distributed leadership and the necessity of feedback and trust when organizing in teams. Hence, to better align the internal issues of the Units with the Teal model, the same logic of special work groups, which had previously been proven successful by Credem Semplice, was applied in the Units to target the needs. As a result, some Units were for instance able to better allocate decision-making power to individuals, reduce bureaucracy where possible, and eliminate double controls that slowed down authorization processes. Accordingly, the greater spread of decision-making power was followed by a new sensibility in regard to the error management. Additional efforts that related to the second dimension of change were connected to the importance of sharing skills

and exchanging know-how among colleagues. By doing so, employees were able to obtain new skills by learning from others, and further spread the skills to others.

Throughout the experience of the pilot projects, Credem Semplice was able to gain a lot of knowledge regarding the transformation of becoming a Teal organization, and further develop for facilitating the process in other parts of the organization. In fact, the community has accompanied many of the Units in the HQ towards Teal, and the total number of involved people is over a 1000. The “model” during the transformations has been to firstly offer basic training for the interested Units to confirm their interest and develop a better awareness of the concepts of Teal. Thereafter, a survey is conducted to allow the community to better understand the characteristics of the Unit and its critical aspects. Internally, each Unit created a core group which preferably was representative of the unit in terms of gender, competences, and ages. A kick-off was then held for the core group with the support of Peoplerise where, among other things, the work groups were created to target the specific issues of the Unit.

Throughout the several transformations, there was resistance inside the Units by some employees, however, through the collection of feedback by Credem Semplice, doubts could be addressed and answered to. The visible benefits of changing that could be seen in other transforming Units were also favorable for overcoming resistance. The next step for the community after fully having transformed the HQ will be to spread the change and the new model in a full scale over the entire organization in a sustainable way. Nevertheless, a difficulty that may be encountered when the transformation moves beyond the HQ is a larger resistance to change. The reason for this is that the branches have a strong business and commercial focus and consequently might not have the same willingness to change.

The Outcome

The positive impacts in Credem that derived from the adoption of the Teal were beyond what was initially expected. As a result of the new way of working, customers could receive quicker answers and feedback since the decision-making processes according to the organization in teams no longer required confirmations from higher hierarchical roles. Furthermore, the new model and the adaption of fluid teams also contributed to a favorable environment for the emergence of both more and innovative ideas on new offerings, and improvements in the relationship with the customers, coming from those working closest with the customer. Benefits were also found in a greater satisfaction among employees, resulting from a more active involvement in the progress of the organization through own initiatives

and their constant development. Lastly, greater synergies were noted as the relationship between various Units improved. Hence, the adoption of the Teal model has been successful on several aspects in terms of innovation, strategic development and employee satisfaction, and this has in affected the organizational climate positively.

Main takeaways from Case 2

Drivers to change	<p>External drivers: Increasing complexity from a continuous need to adapt to new regulations.</p> <p>Internal drivers: Organizational desire of empowering and developing employees.</p>
Implementation of change	Bottom-up, the willingness to change fully derived from the employees and the change process was made through co-creation and co-design with the core groups.
Particular features in the transitioning	<ul style="list-style-type: none"> • Credem Semplice as an enabler of change • Unwilling Units was not forced to change • Logic of “learning by doing” from pilot projects • Internal core groups with self-nominated employees • Implementation of two new roles, CL and TL • Work groups for targeting issues that were not in accordance with the new model
Encountered difficulties	<ul style="list-style-type: none"> • Initial difficulty to find a possible transformation path due to the large organizational size • Some resistance to change were present in Units • Possible future difficulties when the implementation of Teal goes beyond the Units of the HQ
Factors of change resistance	Actions taken during change implementation
Communication	No particular communication effort was required as the willing Units approached Credem Semplice for initiating the change.
Understanding	The understanding regarding the change was supported by Credem Semplice, and by the core groups.
Management consistency	Credem Semplice who led the change ensured consistency and commitment through frequent meetings and the establishment of a Manifesto with a defined purpose and guiding principles.
Participation	The members of the core groups had a higher participation in the process than other colleagues through the participation in various workshops and co-creation activities.
Organizational culture	The culture had moved towards the “teal” paradigm and was therefore open for continuous change and initiatives. Units with subcultures open for change engaged in the change. Issues relating to cultural aspects were then targeted by the work groups.

Table 8: Summary of the Credem Case. Source: Author’s elaboration

4.4 Discussion

The results deriving from the studied cases which differ greatly in terms of size and industry, but also in the way that initiated the change implementation, argue that a transformation from a hierarchical form of organizing to a Teal-oriented model is possible and can provide successful outcomes. In Zordan the change derived in a participative top-down manner, meaning that the change came from the top, but had a high involvement of employees throughout the process. Differently from this, in Credem, the change occurred in a complete bottom-up manner, where the different Units themselves requested the change implementation based on the willingness of employees. The difference in implementation can provide an explanation for why more efforts consistent with the advised actions for reducing change resistance could be noted in Zordan in comparison with Credem (Erwin & Garman, 2010). For instance, regarding communication, Zordan put clear effort into the communication actions which also allowed for feedback, suggestions and sensemaking. These efforts can be understood to have been necessary to reduce the resistance since the change was implemented from the top. Instead, in the case of Credem, the communication element can be understood to have been of less importance since the change was implemented on the request of the Units. However, both organizations had a high involvement of employees throughout the process which is in accordance with the literature for reducing resistance (Erwin & Garman, 2010; Schultz-Knappe, Koch & Beckert, 2019). In Credem, a favorable feature can be found in the possibility for employees with an initial resistance to change to self-nominate themselves to the internal core groups and accordingly, through a higher participation, reduce their change resistance.

As already anticipated, no precise framework with clear predetermined steps could be derived from the analysis of the two cases. However, by following the summarizing table 7 and table 8 of the two transformations, several similar features could interestingly be identified when comparing the two in a cross-analytic manner, regardless of the large organizational differences. A first similarity that could be noted was the formation of guiding groups to lead the change process. These groups had similar characteristics of an agile transformation office (ATO), such as being the main creator of how to manage the transition, guide the path, while also bringing on board the rest of the organization in the process (Anand et al., 2021). In Zordan, the core team could be identified as the referent and coordinator of change. Through the link with the TL, the remaining employees in the teams could be reached. Similarly, Credem Semplice was the central group due to its full dedication and work of facilitating the

change process and accompanying the organization through the transformation. Credem Semplice had contact with the core group that emerged in each transforming Unit, which then became the supporting link for the remaining employees. Hence, as suggested by Anand et al. (2021), a guiding group which leads the change can according to the two cases be understood as favorable since there always is a reference for the transformation who aims to facilitate the process for those involved. Such groups also solve the necessity for coaches and support which was recognized by Schell and Bischof (2021) in the transition towards Holacracy. Moreover, through the links of the guiding groups, the remaining employees have a possibility to affect the process with their feedback, while the guiding groups at the same time can learn from the feedback.

A second observed similarity was the gradual implementation of change initiatives. Zordan firstly applied the team-structure to a small part of the organization to affect the ongoing operations as little as possible. Thereafter, based on the immediate success from the smaller implementation, the same team-structure was implemented on a larger scale. Similarly, in Credem, the transformation journey began with pilot projects of self-nominated services before involving other parts of the organization. The observed gradual implementation of change is coherent with what Rigby, Sutherland and Takeuchi (2016) have suggested for organizations that want to implement agility in a successful manner. By gradually transitioning towards the Teal-model, the guiding groups had the possibility to continuously reflect on the change process and redirect if necessary. Accordingly, large time losses in case of unexpected occurrences could be avoided, which in turn reduced the risk of having employees giving up on the change and causing failure (Burke, 2011). This can be argued as particularly favorable for Credem due to the faced complexity imposed by the external environment in terms of continuous new regulations. A gradual implementation allowed for each transforming area to become transformed in accordance with the current situation, as opposed to redirecting the whole organization in the occurrence of an unexpected event. Preventing such redirection can be understood as highly valuable in a large organization like Credem since a complete redirection would be very resource intensive. Furthermore, from a gradual implementation, the organizations could benefit from a “learning by doing” logic, while parallelly running the majority of operations as usual. It was also possible to indicate the success of the already transformed areas to resistant employees, or as in Credem, completely let the results govern the spread of willingness to change throughout the organization. Hence, these similar approaches to the change can be considered as emergent in the sense that they were ongoing processes without premade plans that determined the path,

which consequently give support to the existing literature promoting the emergent approach to change when transforming an organization in a dynamic and unstable environment (Burnes, 1996).

In both transformation processes new roles were implemented, team leaders in Zordan and team leaders (TL) and competence leaders (CL) in Credem. No role was to be understood as a manager or superior, but instead as a facilitator of work within the teams. An interesting remark that can be made from the two cases is that the TL roles were in both organizations assigned to previous managers, and in Credem, managers were also assigned to be CLs if they had high competences of specific skills. The reason for this is explained by the fact that the previous managers possessed the right soft skills for the new roles due to their previous leading experiences. However, in addition to this, it can possibly be argued as favorable to delegate the new roles in a similar way as in the cases as a consequence of the previous hierarchical design. It can be assumed that a change in which managers were to lose their control (Burns & Stalker, 1961) would encounter more managerial resistance to the change, although this reasoning be argued to be highly individual. Managerial resistance is unfavorable since a transformation process without the support of leading roles would be difficult as their commitment to the process is important for reducing resistance to change among the other employees (Fassoula, 2004; Worley & Lawler III, 2010). Nevertheless, as pointed out by Wyrzykowska (2019), in the transformation towards Teal it is necessary that managers are willing to share the right of power to teams and employees. If not, the change will only achieve organizing in teams but fail to take advantage of the value creating contributions coming from each employee in the team structure. Hence, the assignment of previous managers to the new leading roles, who also reported to the management, can be understood as a successful solution for having managers agree on distributing the leadership and not resist the change.

In Zordan it was discovered that although the organizational design had changed in accordance with the new model, the culture still had the tendency to fall back and reflect the culture of the past, meaning that the boss took the ultimate decision. This could potentially be a consequence of having previous managers in TL positions, or the fact that the concept of self-organization was completely new to the employees. Actions should therefore be taken in accordance with the ones in Zordan, to continuously work on the organizational culture and role perceptions to ensure that these remains consistent with the new organizational model. Thus, these findings further confirm the organizational culture as something very difficult to

profoundly change (Schwartz & Davis, 1981). In addition to this, the findings give an additional contribution to what Glor (2008) pointed out as problematic with using frameworks for change, that is, that these often take for granted that the organizational culture naturally follows the initiated change. However, according to the findings of the study, the culture does not necessarily fully change in accordance with the other change initiatives even if these are made in an emergent manner with high employee participation. A possible enabler for the cultural change can be recognized in the pre-initiatives taken by Credem to create a change ready environment. By doing so, the new culture that emerged from these initiatives were familiar with for instance self-organization, or at least in the HQ where the change so far has been concentrated, and were accordingly less distant from the desired model.

Lastly, the two studied cases confirm that the uncertain and complex external environment of today have an impact on how organizations are organized and can impose a need to go beyond the traditional forms of organizing as proposed by previous literature (Kotter, 1995; Douglas, 1999; Fassoula, 2004; Burden & Roodt, 2009; Worley & Lawler III, 2010). In addition to this, the cases argue for an occurring mindset shift in organizations from the view of employees as a human resource, to a view of employees as the ultimate value creators through knowledge and innovation. This can be derived from the fact that both organizations also were driven by internal factors, such as the aim to achieve a better fit with the B-corp certification and the associated values in Zordan, and a willingness to empower people in Credem. By adopting an organizational design which is appreciative for all employee initiatives and contributions, as for instance the Teal-model through self-organized teams, the results of the study propose not only that the organizational climate can improve from an increased employee satisfaction, but also that economic benefits can be obtained.

4.5 Conclusion and Practical Implications

The purpose of the study presented in this chapter was to increase the understanding of the transition process when going from a traditional form of organizing with hierarchical features, to a newer, more organic form, and thus respond to the expressed need of such research (Daft & Lewin, 1993; Fjeldstad et al., 2012). Through the study of two transformation journeys towards the Teal-model in largely different settings following a case study methodology, valuable insights and implications from the change process were obtained. These insights can in turn be helpful for organizations that desire, and rightly so, to transit towards a new form of organizing. In fact, an initial conclusion deriving from this study is that the literature addressing new forms of organizing is highly relevant since both external and internal factors

question the appropriateness of traditional forms of organizing in the business environment of today. By changing, organizations can achieve great results on several aspects.

Regarding the transition process, benefits can be found in implementing change gradually, where the process evolves along the transformation with possibility of changing in accordance with the conditions. This can be understood as particularly important if an organization is facing a highly volatile external environment which potentially can affect the change process with unexpected occurrences. Moreover, a gradual implementation also allows for a better involvement of employees as they can contribute with feedback and suggestions in a co-creative manner throughout the transition. Parallely, such involvement reduces the existence of change resistance. The contributions that are made by employees in the process should be absorbed by an internal guiding group, whose ultimate purpose is to function as a facilitator for the transition by guiding the path and reflecting on the various initiatives. What can also be concluded from the results is that it is not possible to solely implement a new form of organizing and assume that the new way of working, as for instance in self-organized teams, will function in a sustainable way in the long term. The organizational culture must be changed in accordance with the design, and this can be of particular importance when changing from a previous hierarchical form, due to the large differences in roles and perceptions of power and leadership. Consequently, as each organization has its own culture, different actions and amounts of effort must be dedicated to this depending on the organizational background and its starting point in relation to the new model. However, a favorability can be found in imposing pre-initiatives to practice the new concepts connected with the desired model.

To conclude, it is impossible to know what the future holds for organizations and how the future market conditions will be. Nevertheless, based on the recognition of various economic eras and the development of organizational design that has been presented in this paper, it can be assumed that the future will not hold less dynamic and complex features than today. Therefore, organizations should adopt new organizational designs to become better organized for the future, and not just for the purpose of being more responsive to the external environment, but also to truly recognize the value that each single employee can contribute with and accordingly gain from both increased employee- and customer satisfaction.

4.6 Limitations of the Study and Future Directions

The study that was conducted in order to answer the research question, and accordingly increase the understanding of the transition process, has certain limitations. Firstly, the number of studied cases is limited which consequently limits the outcome. If more cases were to be included, the conclusions could possibly have had larger support, or have provided additional ways on how to successfully engage in the transition process. This would have positively affected the understanding of the transition. A second limitation can be found in the fact that both studied organizations were striving towards adopting the Teal-model. It is therefore a possibility that the similarities that were derived from the results are similar for this reason. An additional limitation is that the practical implications potentially are strictly connected with transitions towards the Teal-model. Consequently, the conclusions could potentially have provided other implications if the organizations had implemented different organizational models. Moreover, it can be argued that the cases have similarities in their transformations since they were accompanied in the process by the same consultancy firm, Peoplerise. However, a key feature of Peoplerise is to co-create the process with the client based on the specific situations and needs which therefore argues against this limitation, but the possibility still exists.

As a consequence of the existing limitations, the conclusions that derived from the study should not be understood as exhaustive, nor generalizable in regard to how to manage the transition process towards an organic organization. Instead, the conclusions should be interpreted as contributions to a greater understanding of the transition, and the practical implications must rightly be understood as indications that are based on how two organizations have successfully managed their path towards a Teal-oriented model. It is always important to take into account that all organizations are unique with different positions and cultures, and can for instance face more or less resistance to change. However, this gives rise to the need for additional research. To be able to achieve further insights and understanding of the process, future research should study additional cases, and cases that undertake transitions to other models than the Teal model. The results from such studies may still not be generalizable as a result of the research method, but they will contribute to an increased understanding which is favorable for organizations who are operating under complex and uncertain conditions, and desires to become organized for the future.

4.7 Acknowledgements

The author would firstly like to sincerely thank Professor Diego Campagnolo for supervising the writing of this thesis in the best way possible. Secondly, the author would like to express a great gratitude to everyone working at Peoplerise, and in particular to Alessandro and Flavio, for being a part of this instructive journey, and for the support and knowledge they have provided. Lastly, the author would like to thank Zordan Srl SB for the participation, and the community of Credem Semplice for the opportunity to learn more about their passion.

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