Is the Self-Managed Organisation Essential in the Age of Artificial Intelligence?

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Abstract

Purpose

This paper investigates whether self-managed organisations (SMOs) − characterised by minimal hierarchy and distributed authority − can become a dominant or widely adopted model in the artificial intelligence (AI) era. This study aims to understand how advances in AI reshape organisational coordination, decision-making and control, and to determine the extent to which self-management enables firms to thrive amid these changes.

Design/methodology/approach

This paper adopts a literature review approach, drawing on existing research on self-management and organisational theory.

Findings

This paper finds that AI enhances some of the conditions that favour self-management, particularly in knowledge-intensive and adaptive work environments. However, it also introduces challenges that limit universal applicability. SMOs offer notable advantages in flexibility and responsiveness but are unlikely to replace traditional hierarchies entirely. Hybrid, context-specific models are projected to prevail.

Originality/value

This paper offers an original and timely contribution by linking self-managed organisational theory with the transformative effects of AI. Its value lies in bridging two research domains − AI-driven organisational change and decentralised management − highlighting how AI challenges traditional hierarchies and supports distributed decision-making. Rather than advocating a universal model, it provides a nuanced framework for when and why self-management becomes advantageous.

Keywords

Artificial intelligence, AI, Holacracy, Hybrid organisation model, Self-managed organisation, SMO

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Introduction

The rise of AI such as machine-learning, natural-language models, algorithmic decision-systems and AI agents fundamentally alter the nature of work and how organisations must structure themselves. Recent contributions suggest that organisations will need more flexible work-designs, less rigid hierarchies and more decentralised forms of organising to capture the promise of AI. At the same time, literature on self-managing organisations offers insights into how organisations can break free of traditional hierarchical command structures. Combining these two strands leads to the question: are self-managed organisational models essential in the age of AI?

How AI is Changing Organising

The advent of AI introduces several structural pressures on organisations. AI alters decision-making processes: algorithms can process massive data, identify patterns, and suggest or make decisions autonomously. Shrestha et al. (2019) identify three decision-making structures in the age of AI: full human to AI delegation, hybrid human- AI sequential, and aggregated human-AI decision making, which has influence on decision-rights and the coordination of human and machine. At the organisational level, Sarala et al. (2025) argue that the future of work in the age of AI will require more flexible organising, new structures, and more adaptable systems. Moreover, Baumann and Wu (2023) observe that the managerial hierarchy itself is under pressure in AI-driven organisations. They suggest that the role of managers will transform or may diminish, given that AI can assume tasks previously performed by managers, and coordination may shift to algorithmic platforms.

The temporal dimension of organising shifts: real-time data, autonomous agents and continuous feedback mean that decision cycles are shorter, responsiveness is more critical, and hierarchy slows down, which means working with generative AI requires removing silos, decentralising responsibility and decision making, and embedding AI into everyday workflows. Collectively, these shifts create a compelling impetus for organisations to reconsider traditional hierarchical structures.

In sum, AI changes the coordination, decision-authority, and control architecture of organisations and thus shifts the trade-offs of different organisational forms.

Alignment Between AI and the Self-Management Organisation

Self-managed organisations are characterised by the radical decentralisation of authority, minimal hierarchy, and teams that manage themselves by forming, allocating work,

coordinating and making decisions without intermediating managers. SMOs are defined as organisations that distribute authority across self-organizing teams, empowering employees with clearly defined roles and decision-making capabilities, not depending on managers, and with that promote autonomy (Butsch et al., 2025).

AI systems increasingly push decision-making closer to operational execution, for example, frontline teams receiving algorithmic suggestions. Self-managed teams are already structured to exercise autonomy and self-governance; thus, the integration of AI into their workflows can amplify their capacity.

Coordination and flexibility are core benefits of self-managed structures, with AI enabling real-time coordination and insights across teams, the bottleneck becomes management approval chains. Self-managed teams could instead respond swiftly, reallocate tasks, adapt roles, and integrate AI outputs dynamically (Butsch et al., 2025). Further, as the managerial oversight and control tasks are partly replaced or augmented by AI (Baumann and Wu, 2023) the justification for layers of management weakens. In this sense, adopting a self-managed form may support efficiency and agility in an AI-rich context.

Thus, from a normative perspective, self-managed organisations appear well-suited to the AI era. They align with the shift in authority, decision cycles, coordination needs and the changing role of managers. In that sense, one could argue that self- management is not only beneficial but potentially essential for organisations wanting to excel in an AI-intensive future.

Alternative Organisational Forms for the AI age

However, it is critical to recognise alternative forms and the reasons why organisations might choose different designs. Not all work contexts will lend themselves well to full self-management, and the AI-era may produce hybrid or novel forms rather than a universal self-managed model.

One alternative is the hybrid model (Butsch et al. 2025), where decision-rights are distributed among teams, but a lightweight managerial layer remains to allocate resources, manage external relations, or enforce strategic coherence. This form retains some oversight while enabling greater autonomy.

Another is the traditional hierarchical model but augmented with AI-capabilities (i.e., “hierarchy + AI”). In contexts where risks, regulatory requirements, or safety concerns are paramount, as they are in aerospace, healthcare, and financial services, the need for accountability and oversight may keep hierarchy in place, even if managers use AI for

decision support. Shrestha et at., (2019) emphasises on AI-driven decision-making that delegation of decisions to AI must be carefully governed and human oversight retained, if necessary. Thus, hierarchy may endure in regulated or high-stakes environments.

Challenges and Boundary Conditions of Self-Management in the AI Era

While self-managed organisations align well with most AI-era demands, they face non- trivial challenges especially as AI changes the context of organising.

Accountability and oversight become critical when AI systems are embedded. In highly regulated industries or high-stakes decisions, distributed teams may lack the centralised oversight needed to guarantee safety, fairness and compliance. The delegation of decision rights to teams supported by AI may create ambiguities about responsibility and liability.

Skills and readiness of teams matter. Self-management places greater demands on individuals and teams in the level of psychological development and interpersonal skill Butsch and Bell (2025), for example higher self-direction, intrinsic motivation, stronger communication skills, and decision-making competence. If AI augments tasks but teams are not ready for autonomy, performance may suffer, if training is not provided in an appropriate amount.

Also, interdependence and coordination complexity may limit self-management. When work is tightly interdependent across teams or requires global coordination, purely self- managed structures may lead to fragmentation or alignment difficulties (Butsch et al., 2025). The more complex the system (as in large AI-enabled organisations), the greater the need for meta-coordinating structures.

Conclusion: Is the Self-Management Organisation Essential?

Returning to the central question—does the age of AI render self-managed organisations essential? The evidence suggests a qualified "yes" for certain contexts, but not unconditionally for all.

For organisations engaged in high-velocity, knowledge-intensive, innovation-driven work, where AI augments human insight and where rapid decision-making, autonomy and flexibility are strategic advantages, self-management becomes strongly favourable. In such contexts, the traditional managerial hierarchy is likely to be a handicap: it slows down decisions, creates layers of coordination that hamper responsiveness, and may not leverage the autonomy that AI-augmented teams can handle. In that sense, self-management may go from being a nice-to-have to being an absolute competitive necessity.

However, in other contexts - such as heavy-regulation industries, large organisations with

very high interdependence and routine workflows, or mission-critical operations where safety and accountability dominate - self-management may not be essential or even advisable. In those cases, hybrid forms retaining some hierarchical oversight, or even hierarchical structure augmented by AI, may be better suited.

Thus the concept of "essential" must be applied with nuance. Self-management is not a universal solution but rather a key organising principle for certain organisational archetypes in the AI era. Practitioners seeking to adopt self-management should evaluate whether their context aligns with the enablers (autonomy, interdependence structure, cultural readiness) and AI dynamics (degree of AI augmentation, decision types, speed demands). In turn, transition paths matter: adopting self-management requires investment in team capability, governance redesign, and the monitoring of how AI is embedded.

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