



**UNIVERSITY *of*
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Transformation of German Owner Led Small and Medium Entities into Self- Managed Organisations.

Thomas Butsch, 2025

Supervisors:
Prof. Robin Bell
Dr. Vessela Warren

Declaration

I declare that the ideas, results, analysis, findings and conclusions reported in this thesis are entirely my own efforts. I also declare that this work is original and has not been submitted previously for any degree award.

A handwritten signature in black ink, appearing to read 'Thomas Butsch', written in a cursive style. The signature is positioned above a horizontal line.

Thomas Butsch, July, 13th 2025, Treasure Island, USA

Dedication

To my wife Nicole, for your love, patience, and belief in me—this work is for you.

Acknowledgement

First and foremost, I would like to thank my wife and daughters for their unwavering encouragement. Without your constant support, this journey would have been a far more burdensome endeavour. Thank you from the bottom of my heart.

I would also like to express my sincere gratitude to my supervisors, Prof. Robin Bell and Dr. Vessela Warren, for their invaluable guidance, support, and thoughtful advice throughout this entire journey. You were always there when I needed direction, and I am truly grateful for your dedication.

Finally, I extend my heartfelt thanks to all my contact persons and interview partners for supporting my thesis.

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Abstract

Small and medium enterprises (SMEs) are vital to the global economy, accounting for approximately 90% of businesses and more than 50% of the global workforce. In Germany, owner-led SMEs, often called the *Mittelstand*, constitute the vast majority of firms and are central to the country's economic strength. However, SME owners can frequently experience high stress levels due to heavy workloads, limited managerial delegation, and a strong reliance on hierarchical decision-making, where the introduction of a self-managed organisations (SMO) might be a strategy to reduce managerial involvement (Lee and Edmondson (2017)). Although self-management principles have existed since the mid-20th century, empirical studies on their application within SMEs, particularly in Germany, remain scarce. This study addresses that gap through a qualitative methodology, using semi-structured interviews with seven SME leaders who have undertaken such transformations and investigates how German owner-led SMEs have successfully transitioned from conventional hierarchical structures to self-managed organisational models. The research explores four central questions: the rationale behind transitioning to SMOs, how these transformations were planned and managed, the defining features of the SMO frameworks post-transformation, and reflections on what could have been done differently. Findings indicate that motivations include a lack of organisational structure and personal philosophies like a shared aspiration for more agile, human-centred work environments, often inspired by literature like *Reinventing Organizations* (Laloux, 2014). While some challenges arose and transformations were generally unstructured, most businesses were satisfied with the outcome. In all cases, the transformation process took longer than five years. However, some owners were partly disappointed that employee engagement had not increased as much as anticipated but still would not change much in the transformation process in the retrospective.

This study adds to the literature by addressing a significant research gap concerning the transformation of traditional, hierarchical, owner-led SMEs into self-managed organisations (SMOs), particularly within the German context. As a result, we now understand that such transformations are not linear nor uniform, but are instead diverse, emergent, and shaped by deeply personal and contextual dynamics.

From a practical perspective, this study offers valuable guidance to SME owners, transformation facilitators, and organisational consultants. It equips them with a

realistic and experience-based understanding of how autonomy and transparency can be fostered within existing businesses, helping them to better navigate the complex shift toward self-management.

1. Introduction

Statistics reveal that SMEs account for 99% of all European Union businesses (European Parliament, 2022). According to the World Bank, the proportion of SMEs is approximately 90% of the total number of businesses globally and over 50% of the global workforce (World Bank, 2022). These figures show that SMEs play a crucial role in the global economy.

A survey conducted by the US Bank Corp in September 2023, focusing on businesses with annual revenues under \$25 million, found that 83% of small business owners experience stress due to their workload (US Bank Corp, 2023). The survey further revealed that over 50% of these individuals lost contact with their family and friends due to the stress. Similarly, Fernet et al.'s (2016) research revealed that 60% of SME owners took three weeks or less of vacation each year, while 10% had none. Additionally, Fernet et al. (2016) demonstrated that excessive working hours, workload, and pressure are not unique to SME owners but are widely acknowledged as major contributors to burnout. Hence, reducing working hours might be one solution to overcome burnout among SME owners.

According to Lee and Edmondson (2017), a potential strategy for mitigating burnout involves fostering greater independence within businesses, thereby reducing the owner's involvement and managerial burden. Implementing self-managed teams and organisations, where managerial authority is delegated to groups of employees, is a promising strategy for achieving this goal. Lee and Edmondson (2017) argue that such robust change in the management of SMOs necessitates a shift in management principles.

Another rationale for scrutinising SMO management principles is the influence of the work values of younger generations. For example, Generation Z aims mainly for intrinsic motivational values such as competence, autonomy, and relatedness, which often clash with classical hierarchical structures (De Boer & Bordoloi, 2021). Moreover, the COVID-19 pandemic has precipitated a shift in work values, necessitating a re-

evaluation of managerial structures. McKinsey (2020) states that adopting new core values such as purpose, shared value, and workplace culture requires fundamentally restructuring existing management systems to facilitate the transition towards more agile organisational structures.

Although the theoretical foundation of self-managed teams was established as early as 1938 (Ellis, 2023) and self-managed work organisations were first implemented in coal mining in the 1950s (Abbas & Michael, 2023), newer frameworks have since emerged, including Agility, as approach to self-managed team creation (Kohnová & Salajová, 2021) and New Work, which seeks the transposition of the work – human relationship (Doblinger & Class, 2023). However, much of the self-management literature see's the concept of SMO as a stand-alone system instead of directly linking it to those frameworks.

When considering SMOs as organisations that move away from conventional managerial thinking towards decentralised authority, it seems that many radical approaches have become mainstream considerations (Lee & Edmondson, 2017). Lee and Edmondson (2017) define an SMO as an organisation that decentralises authority formally and systematically, suggesting that any chaotic form of decentralised authority would not be an SMO. However, this work follows a broader definition, viewing an SMO as an organisation with any form of decentralised authority. Further, many terms brought into use to describe SMO's like TEAL (Laloux, 2014), Holacracy (Lee & Edmondson, 2017), Bossless Company (Foss & Klein, 2023), Liberated Firm (Khouri et al., 2024), and others. While those models may differ in their characteristic, this research uses the term SMO representative for all frameworks and systems aiming to create an organisation with decentralised authority.

Organisational change in SME is typically initiated and controlled by the owner manager, since SMEs rarely have internal specialists and owners dominate (Atkinson et al., 2021). Further, management in SME's is centralized around the owner and decision making largely influenced by their interpretations and personal experience (Rodriguez et al. 2013). Because of that, a transforming of a SME would be most likely initiated and controlled only by the owner, which this study takes into account in the research aim and questions.

1.1 Research Aim, Gap, and Contribution to Knowledge and Practice

Literature such as Nold's (2022) *Agile Strategies for the 21st Century: The Need for Speed* outlines the prerequisites and tools needed to survive in a volatile, uncertain, complex, and ambiguous world. Similarly, *Reinventing Organizations* by Laloux (2014) describes what to introduce to become self-managed. However, most resources focus on the importance of self-management and the tools needed to achieve it but fail to describe how businesses can initiate and sustain such a transition. This is consistent with Naslund and Kale's (2020) assertion that there is no known general path or process for transforming a business into an agile or self-managed organisation and also noted a lack of research in best practices for SMEs transitioning to an agile business model. Especially SMEs are left out when it comes to research in the field of SMO, putting the focus rather on larger corporations (Heilmann et al., 2020)

Athamneh & Jais (2023) recommend a qualitative approaches for future research to gather data on influencing factors on SMO as well as Doblinger and Class (2023), who did quantitative research in self-managed organisations, suggest that future research should use qualitative or action research methodologies to gather valuable insights of organisational principles in SMOs. Schell and Bischof (2022), who empirically researched Holacracy management systems in five companies, concluded that the appropriateness of self-organised frameworks, particularly for small businesses, should be evaluated. They further emphasised the scarcity of empirical studies on SMOs and encouraged further research in this area.

In line with Schell and Bischof, this study aims to fill gaps in both the literature and practice about the transformation of SMEs into self-managed organisations. The research is further narrowed to owner led organisations, to include business owners which experience stress due to their workload (US Bank Corp, 2023), which also called the Mittelstand in Germany, a German individual connotation of this kind of business (Pahnke et al., 2023) and places this research in a German context. The aim is to investigate how German owner-led SMEs have successfully transitioned from conventional hierarchical structures to self-managed organisational models. Specifically, the study seeks to identify the methods and influencing factors that enabled these transformations and derive actionable best practices that can inform both theory and practice. In doing so, this research offers a structured understanding

of transformation processes in SMEs and provides practical guidance for similar organisations pursuing self-management.

1.2 Research Questions

This work seeks to investigate why and how SME's conducted the transformation to a SMO and if possible, identify best practices by examining the transformation from a classical organisation to a self-managed one. The research explores the entire process of the transformation, from the rationale, the planning, the transformation process itself to the review of the outcome and the process.

The first question investigates the rationale for such transformations. This is essential, as businesses can act for various reasons and may investigate different approaches to change.

1. What is the rationale behind German business owners transforming their businesses into self-managed organisations?

Change management plays a crucial role in any organisational transformation. Understanding how such transformations were planned and managed, as well as whether deficiencies in change management or planning created challenges, is important. This leads to the second research question:

2. How did German owner-led small and medium organisations plan and manage the transformation into self-managed organisations?

Lee and Edmondson (2017) encouraged researchers to explore the distinction between radical approaches—transforming an organisation completely—and an incremental process. The third research question addresses this aspect:

3. What are the characteristics of the SMO framework after the transformation has been finalised?

Finally, when going through a transformation, there are always mistakes, errors, or things involved that may have been done better or different. The fourth question shall answers this:

4. How would the German owner-led small and medium organisation do something different in the retrospective of the transformation into self-managed organisations?

By answering the four questions the researcher contributes to literature with open questions for SMEs such as how to transition into SMOs, how to train members of an SMO, or the role of stakeholders during the transition toward an SMO and close some knowledge gaps and a need for deeper understanding, which lead to calls for further research in Self-Managed Organisations (Ellis, 2023)

Further, Literature like Laloux's (2014) *Teal Organisation*, Kolind's (1996) *Spaghetti Organisation*, or Robertson's (2015) *Holacracy* explain how self-management can look like but fail to explain how to transition, which this research intends to change and contribute to practice.

2. Literature Review

2.1 Introduction

This literature review targets to investigate existing literature and likes to underpin the transformation of German SMEs from traditional, owner-led frameworks to progressive, self-managed systems. The focus is not only on the change in management structure but also on the cultural and operational shifts accompanying this change. The adoption of self-managed practices is poised to significantly impact SMEs' agility, employee engagement, innovation, and competitive stance within the dynamic German economy.

This review explores the drivers prompting this shift, the challenges SMEs face during the transition, and the outcomes of adopting self-managed practices. It aims to synthesise existing knowledge and identify research gaps by examining theoretical frameworks and literature, thus providing a foundation for further research and practical implementations. The following sections will delve into the theoretical underpinnings of self-management, analyse the internal and external factors influencing the transformation, and discuss the implications of this shift for research and practice in SME management.

The literature review is directed by the need for further research into self-managed organisations, since there are almost no empirical studies in the context of SMOs (Schell & Bischof, 2022). It is further directed into SMEs because when it comes to SMO-Research, mainly large organisations are taken into account (Heilmann et al., 2020). German SMEs and the differentiation from the German *Mittelstand* will be explored in section 2.2, contemporary management in section 2.3. The history of SMOs, their definition, challenges, and transformation processes are then discussed in section 2.4 to understand what constitutes an SMO. Due to the fragmented nature of existing research and the overlapping terms used to describe an SMO (Khoury et al. 2024), the researcher proposes a definition in section 2.4.3. followed by change management situation in SMEs in section 2.5. Section 2.6 describes the conceptual framework, and then the literature review concludes with a summary in section 2.7.

2.2 German Small and Medium Entities and German *Mittelstand*

The European Union (2022) defines SME as a business with a maximum of 249 employees, an annual turnover of less than €50 million, or a balance sheet of €43 million or less. In contrast, the OECD (2023) defines an SME solely by its number of employees, who need to be less than 250. The OECD further distinguishes between micro businesses (1-9 employees), small businesses (10-49 employees), and medium-sized businesses (50-249 employees). In 2021, 99.3% of businesses in Germany were classified as SMEs, employing 56% of the total workforce (DESTATIS, 2024). Notably, 82.2% of all businesses in Germany had fewer than 10 employees (micro businesses), and 17.1% had 10 to 249 employees, qualifying as small or medium-sized businesses according to both EU and OECD definitions (DESTATIS, 2024).

Research in German SMEs, specifically owner-managed, has not been thoroughly explored. This could be because delineating such enterprises in the public domain records is challenging (Berlemann et al., 2022). While Berlemann's paper aims to establish a model that guides the management of *Mittelstand*, other literature offers insight into owner-managed businesses. Pahnke et al. (2023) found that over 70% of small businesses and nearly 60% of mid-sized business establishments in Germany are owner-operated. This finding underscores a division between SMEs and *Mittelstand* because the latter has a distinct connotation in Germany (Pahnke et al., 2023).

Although SMEs are sometimes seen as micro-businesses, their definition varies depending on their size according to the OECD and the number of employees and revenues in the EU. In the contrary, there are no unified and clear distinctive criteria for the German *Mittelstand* regarding firm size. Still, this characteristic of the firm is that the management of the firm is the owner of the business, as per the information provided by Pahnke et al. (2023). For this study, the businesses under investigation are best described as German *Mittelstand* between 10 and 249 employees or in other words German owner-led small and medium entities.

As stress levels soar among SME owners (BACP, 2024), there has been a surge in research tackling this issue. Lee and Edmondson (2017) propose that encouraging greater autonomy within SMEs can lessen the owner's direct involvement and managerial duties.

Goffee and Scase (1985) noted that owners of small companies tend to follow their own agendas and exert direct influence on their employees and managers, which is the opposite of a self-managed organisation. However, it is unknown how that has been exercised in German SMEs since there is a lack of evidence in the literature. This fits Maurer et al.'s (2023) observation that, despite increasing interest in SMOs, there is little knowledge about how SMEs undergo such changes, especially in Germany.

2.3 Contemporary Management

The 20th century brought forth numerous managerial theories, shaping practical insight into requirements of managerial performance, like skills, roles, and characteristics necessary for managers (Laud et al., 2016). American management frameworks have influenced businesses all over the globe since the technological age. Most of the Western world tends to take standards such as performance appraisals, managerial hierarchy, and efficiency measurement as given (Dent & Bozeman, 2014). Today, thoughts and strategies mainly circle coping with the uncertain economic climate and ensuring organisational survival (Cambalikova, 2021).

Kropp et al. (2021) answer what a manager today must consider: remote work as standard, new technologies to manage employees, and changing expectations of employees. They further state that managers must be empathetic in the highly flexible business world. This is especially true for knowledge workers and new generations, who have greater expectations of mission and fulfilment than their predecessors (De Hauw & De Vos, 2010). Innovative, reflexive, and agile aspects strengthen the ability to adapt to today's unpredictable business environment, making them more valuable than traditional management (Thrassou et al., 2021). Managing a modern organisation means incorporating agility as a core value and adopting agile methods for all leaders to deal with uncertain and continuous changes (Theobald et al., 2020). This shift could lead to self-managing organisational forms.

2.4 Self-Managed Organisation

2.4.1 Introduction

Self-managed teams are not new or an invention of modern consultants. As early as the 1950s, the socio-technical Theory developed at the Tavistock Institute by Trist and Bamforth in London introduced new paradigms of work organisation in coal mining.

This approach recognised that organisations are defined not only by technical parameters but also by human and social factors (Abbas & Michael, 2023). Today, this concept has evolved. The difference between SMOs and conventional management systems is that in SMOs, the employee works on behalf of the organisation rather than as manager (Lee & Edmondson, 2017). Various terms have been used to describe an SMO. For example, the terms introduced by Tom Peters in 1992, “liberated firm” or “F-form firm,” where F stands for freedom, and which has been used to describe management systems in various companies. Other terms include TEAL Organisation, Holacracy, and Spaghetti Organisation (Khoury et al. 2024).

The growing interest in SMOs may be from a search for new managerial structures as a result of changed work values, as McKinsey (2020) suggests, or by the popular literature like *Reinventing Organizations* by Laloux (2014), which recommends a TEAL organisation and promotes self-management in teams and entire enterprises (Meshchaninov, 2023). An internet search shows that systematic self-managing has already been included in consultants’ and trainers’ playbooks and is promoted as an agile, new work or stand-alone tool. This adds to the confusion in that there are not only various names for an SMO but also different streams that claim to be its drivers.

Following the argument of Laloux (2014), there are already companies that designed their daily work in a self-managed manner throughout the company, as well as self-managed businesses, or TEAL organisations, which he claims will be the organisational standards. Other models like Holacracy by Robertson (2015) or the Sociocratic Circle-Organisation Method (SCM) developed by Gerard Endenburg in the 1970s (Christian, 2012) also support it to become more agile and self-managed.

The motivations for implementing SMOs vary. The speed of technological developments and the rapid flow of information pose a threat to those who act slower (Lee & Edmondson, 2017). Another motivation is to keep pace with the knowledge economy and the creation, storage, and distribution of knowledge, which SMOs support (Blackler et al., 1993). Furthermore, some trends view the work environment as a place of personal meaning, which makes it necessary to improve employee empowerment and experience (Podolny et al., 2004). This shift is relevant to younger generations entering the workforce, with greater expectations of mission and fulfilment (De Hauw & De Vos, 2010). When it comes to small and medium entities, little is known about their motivation to implement an SMO framework into their business. This

indicates a lack of SMO research in the SME segment. Further, it remains uncertain whether self-management is an appropriate tool for SMEs (Heilmann et al., 2020).

In order to understand the various streams of fragmented research in SMOs, the following chapters will explore the history of SMOs, the origin of self-management in the business context, define SMOs, and their usage in an agile context. Further, the researcher will highlight the advantages and challenges of this management model. A pivotal point is to provide measurable key characteristics for a successfully transformed SMO and investigate SMEs' transformation process into SMOs.

2.4.2 History of Self-Managed Organisation

Compared to the timespan theories of Adam Smith's "Wealth of Nations," published in 1776 and is about managing people and creating wealth in an industrialised system (Larson, 2015), the work on self-managed teams is relatively recent. The theoretical foundation can be found in John Dewey's 1938 study on experimental learning (Ellis, 2023). In the 1950s, the socio-technical Theory at Tavistock Institute, led by Trist and Bamforth in London, introduced new paradigms of work organisation (Ellis, 2023). Instead of putting the technological solution in the centre of organisations, the new paradigm was an approach that did not see humans as an enhancement or extension of machines but more than this (Abbas & Michael, 2023). Studies at the Glacier Metals Company and the British coal mining industry led to a breakthrough in understanding socio-technical systems and their effects. They were put forward by Emery, who worked with Trist at the Tavistock Institute (Pasmore, 1995). At this time, they identified organisational change at an increasing rate and complexity as a problem in the study of organisations (Emery & Trist, 1967). The findings at the Tavistock Institute led to the theory that distributing organisational decision-making into autonomous and self-managed teams can help to reduce absenteeism and increase productivity in coal mines, which were traditionally organised (Meshchaninov, 2023).

In the following decade, interest in self-management increased, especially in understanding its design, structure, and performance (Langfeld, 2007). Gerard Endenburg, an engineer and owner of an electronics company in the Netherlands, developed a system called *Sociocracy* or *Dynamic Governance* to make decisions and for self-governance (Christian, 2012). This model is still promoted internationally through platforms such as sociocracyforall.org.

Increasing complexity and uncertainty have shaped the interest in new forms of management, especially self-managed organisations. Hierarchical management proved effective for standard tasks but inadequate in finding answers for non-routine tasks, especially those that are complex or span functional and hierarchical boundaries (Lee & Edmondson, 2017). In response, SMOs were seen as better suited to keep pace with knowledge creation, storage, and distribution (Blackler et al., 1993). Moreover, the work environment is increasingly expected to offer personal meaning, which makes it necessary to improve employee empowerment and experience (Podolny et al., 2004). Peter Drucker anticipated this shift in 1954 when he wrote that knowledge workers would need to manage themselves and be provided autonomy. Since knowledge workers can often decide on their place of work nowadays, remote and hybrid work must be managed, and successful managers must provide employees with greater autonomy (Graves & Karabayeva, 2020).

Furthermore, newer generations entering the workforce with greater expectations of mission and fulfilment demand other forms of management than the classical hierarchical ones (De Hauw & De Vos, 2010). McKinsey (2020) suggests that the pandemic in 2020 accelerated the trend towards a hierarchy without bosses and that businesses clinging to hierarchical systems would experience the current fast-paced urgency and uncertain environment. Literature like *Reinventing Organizations* by Laloux (2014), which describes a TEAL organisation that promotes self-management in teams and self-managed organisations, has attracted growing interest from researchers (Meshchaninov, 2023; Wyrzykowska, 2019).

Current organisational norms seem to be confronted by Laloux's ideas, like in 1951 with Trist and Bamforth's studies (Ellis, 2023). Holacracy, another model gaining scholarly and managerial interest, was introduced by Zappos, an online retailer (Lee & Edmondson, 2017). Getz (2009) labelled the companies that introduced self-managed structures as "liberated firms" or "F-Form organisations," with F denoting Freedom. However, it might not have been wise to use the term liberation since it also stands for trade union movements like The Restaurant Opportunities Centres (2024) and wartime struggles, such as the liberation of France (Footitt, 2004), which may have discouraged its use. These connotations might be why companies have renamed their concept from Liberated Firm to Holacracy for Zappos or TEAL for Favi and Sogilis (Khoury et al. 2024).

The terminology of SMOs remains fragmented. As Khoury et al. (2024) argue, the term “liberated firm” lacks a clear and precise description. Therefore, it is necessary to define an SMO, at least in the context of this research, even if a general definition is not possible.

2.4.3 Defining a Self-Managed Organisation

A self-managed organisation can be broadly defined as one without the traditional managerial hierarchy, where some or all decision autonomy is transferred to the employees (Lee & Edmondson, 2017; Martela, 2019). As addressed earlier, various terms and frameworks exist to describe an SMO, and there are differences and fragmentation between those frameworks. This research seeks to combine these under one term, *Self-Managed Organisation*.

Academia often investigates the three larger companies that have introduced self-management: Zappos, Morning Star, and Valve (Martela, 2019; Lee & Edmondson, 2017). Other investigated companies include FAVI, Quad Graphics, SAS, W.L. Gore & Associates (Getz, 2009), Oticon, and Buurtzorg (Foss & Klein, 2023). Khoury et al. (2024) compared the frameworks adopted by these companies, covering Holacracy, Sociocracy, Spaghetti Organisation, Teal Organisation, Management 3.0, and Liberated Firm (see Table 1).

Framework	Basic Principles			Decision making
Liberated Firm	All employees have complete freedom to take actions	All employees have complete freedom to decide	All employees have the responsibility to decide what is best for the business.	Autonomous decision making
Holacracy	Achieve agility within the whole company	Decision-making is distributed within the organisation in circles	A complex constitution describes the governance	Semi-autonomous decision-making
Sociocracy	Autonomy within a circle (organisational unit)	Organisational structure as linked circles	Achievement of consents	Autonomous decision-making within a circle
Spaghetti Organisation	No job titles or descriptions	Few managers, but each employee can choose their mentor	Bottom-up project-based organisation	Autonomous decision-making within a project
Teal Organisation	Based on the purpose of the organisation	No hierarchy	Self-governance	Autonomous decision-making

Table 1 - Basic Principles of SMO Frameworks – Produced with data from Khoury et al. (2024)

Khoury et al. (2024) use the term Liberated Firm to combine all other frameworks and claim that it integrates the others because it emphasises humanist values. However, this assumption can only be valid for businesses where such values are one of the main business drivers or strategies. For most businesses, strategies also focus on technological innovation, automation, and process efficiency, and predicted for the future, on balancing technological advancement with social benefits (Dordevic et al., 2023). Thus, the assumption of Khoury et al. (2024) that the Liberated Firm framework integrates all others cannot be supported from a business strategy point of view. Further, the term Liberated Firm carries problematic connotations, as described in the previous section.

Instead of Liberated Firm or one of the other terms Holacracy, Sociocracy, Spaghetti Organisation, Teal Organisation, Management 3.0, which describe a specific framework, the term Self-Managed Organisation might be a better choice, as other researchers used it in a more general way, not describing a framework but rather characteristics (Doblinger & Class, 2023; Lee & Edmondson, 2017; Martela, 2019; Maurer et al., 2023; Meshchaninov, 2023).

Lee and Edmondson (2017) describe the core of an SMO as a radical decentralisation of authority, including the removal of managerial roles, performance monitoring, promotion of employees, pay raises, and the sanctioning or firing of employees. This model promotes a flat hierarchy. Martela (2019) similarly characterises an SMO as an organisation without the power of managers over subordinates, where decentralised decision-making replaces performance monitoring by managers, key information is transparent, and employees control promotions, salaries, and sanctions.

From these definitions, eight key characteristics of an SMO can be identified:

1. Flat hierarchy
2. All decision-making is decentralised
3. No managers
4. Employees decide who fulfils a role and how
5. Transparency in all key information
6. Salary level determined by employees
7. Sanctions determined by employees
8. Promotions determined by employees

Viewed from another angle, decentralised decision-making may be seen as the core element of a SMO's characteristics (Lee & Edmondson, 2017), and all others, apart from Transparency, result from it. This implies that when decision-making is decentralised, no managers are needed, and a flat hierarchy will be achieved. Since decision-making needs variables and indicators, transparency is an essential supporting characteristic.

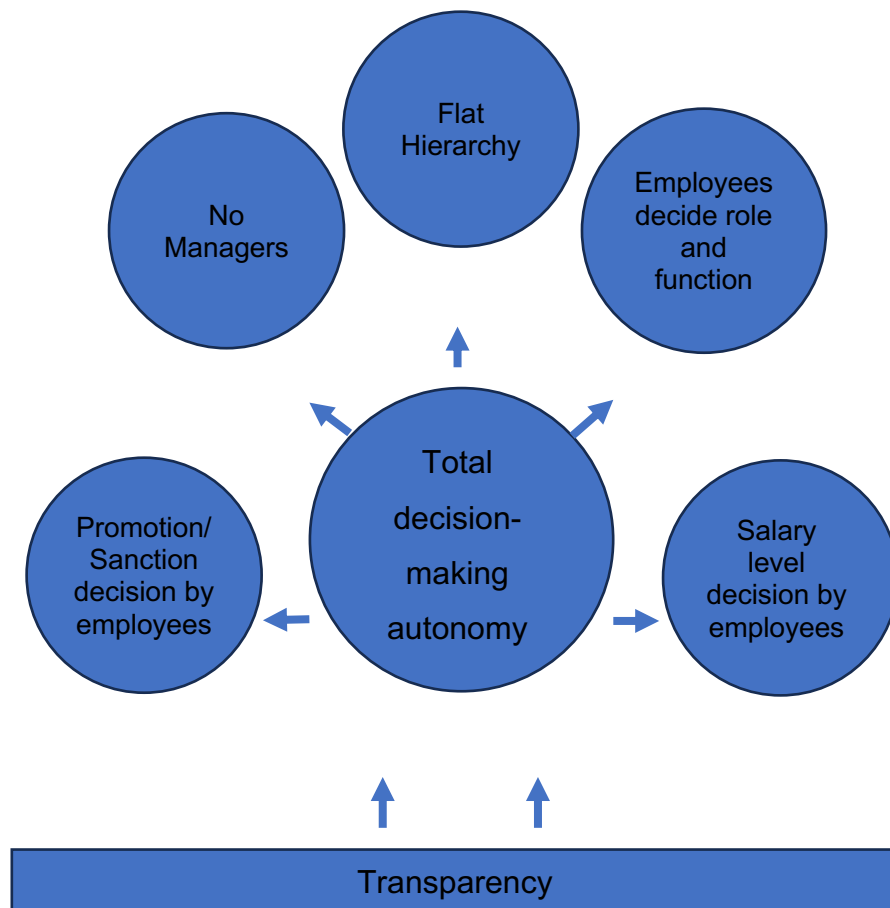


Figure 1 - SMO Model of Dependencies

This leads to the following definition of a fully self-managed organisation: a business where all decision authority lies in the employees and all indicators and key figures are transparent. Khoury et al. (2024) split decision-making into operational, functional, and strategic. The present research uses this structure to define an ideal SMO as a company where 100% operational, 100% strategic, and 100% functional decision-making authority is transferred to the employees, and all key figures and indicators are transparent.

While the eight SMO characteristics (Lee & Edmondson, 2017; Martela, 2019) align with those of the Liberated Firm (Khoury et al., 2024), they cannot be supported from a business strategy and practical point of view. Achieving 100% satisfaction with all characteristics would be unrealistic because business strategies do not focus solely on humanist values (Dordevic et al., 2023). Further, being part of an SMO organisation is not beneficial for all employees since high performers gain from the structure while lower performers are isolated (Lee, 2022). Delegating decision-making to all employees may also be inappropriate since low-skilled employees may be mainly

motivated by salary, and adequate monitoring may be necessary (Martela, 2019). Such cases make the SMO model obsolete.

Lee and Edmondson (2017) further stated, in the context of Zappos, Morning Star, and Valve, that the experiments conducted there were differentiated enough from efforts to transform into a less hierarchical organisation incrementally. This suggests that self-management is not confined to a status between radically decentralised SMO and classical hierarchical model but rather exists along a continuum. Thus, the ideal condition of an SMO is not the radical side of decentralisation but somewhere in between, or as Lee and Edmondson (2017) name it, the incremental effort of being self-managed. Since every business has different strategies, nature, and workforce composition, it would not be helpful to determine a general percentage of decision-making authority or transparency valid for all businesses. Instead, the definition of the increment of self-management should be left to the SMO itself.

Therefore, the description of an SMO needs to allow the exclusion of individuals or processes from the decision-making authority and transparency whenever necessary. This leads to the extended definition of an ideal SMO as a business where 100% operational, 100% strategic, and 100% functional decision-making authority is transferred to the employees, and all key figures and indicators are transparent wherever this is practical and appropriate.

However in reality, businesses may not reach 100% in all decision-making areas due to the significant effort required. Further, a goal should be reachable. Adopting the rule set for goal achieving in the Objectives and Key Result (OKR) systematic, a development of Drucker's Management by Objectives (MBO) (Doerr, 2018), this study defines a successful transformation into an SMO as a business where a minimum of 70% operational, strategic and functional decision-making authority is transferred to the employees, and a minimum of 70% of all key figures and indicators are transparent wherever this is practical and appropriate. Due to the nature of businesses being different in size and overall objectives, weighing operational, strategic, and functional decision-making authority would not be appropriate here. Thus, this aspect will be left to the organisations and applies to both SMEs and large companies.

Still, this needs to be narrowed and garnished with more criteria for a usable scale and measurable variables as a definition for an SMO. It seems reasonable to use the

criteria from the above Model of Dependencies derived from Martela (2019) and Lee and Edmondson (2017):

1. Flat Hierarchy
2. No Managers
3. Promotion/Sanction decisions by employees
4. Employees decide roles and function
5. Salary level decisions by employees
6. Decision-making autonomy
7. Transparency in all key information

By combining the Model of Dependencies with the definition of a successful SMO transformation and adopting Doerr's (2020) goal-setting principles, this research will establish a measurable framework for identifying any SMO. These principles, deriving from Martela (2019), Lee and Edmondson (2017), and Khoury et al. (2024) are of exemplary character and may vary between businesses. The principles are represented in table 2, that can also be utilised to develop an assessment for the maturity of an SMO framework, which will be used later in the research when choosing the businesses the research will investigate.

Criteria	Exemplary Principles			Achievement
Flat hierarchy	If any, then little hierarchical levels	No job titles	Rather responsibilities than job descriptions	70% wherever practical and appropriate
No Managers	Managers become coaches	Employees can choose their mentor	Employees self-decide on vacation in the team	70% wherever practical and appropriate
Sanctions and promotions determined by employees	Employees sanction colleagues as a team	Employees promote colleagues as a team	Employees self-decide on new appointments and termination	70% wherever practical and appropriate

Employees decide roles and function	Employees decide what they work at	Employees decide when they work	Employees decide where they work	70% wherever practical and appropriate
Salary level determined by employees	The salary level for new employees is decided by a team	The salary level for existing employees is decided by a team	Bonus level for employees decided by a team	70% wherever practical and appropriate
Resulting Outcome				
Decision-making autonomy	Total decision-making autonomy of employees			70% wherever practical and appropriate
Transparency in all key information	Level key information availability to employees			70% wherever practical and appropriate

Table 2 - Principles of a Self-Managed Organisation (produced with data from Martela (2019), Lee and Edmondson (2017), and Khoury et al. (2024) .

2.4.4 SMO as Part of an Agile Management Framework

SMOs are sometimes described as an agile tool (Athamneh & Jais, 2023; Heilmann et al., 2020; Kohnova & Slajova, 2021) or as part of a new work system (Weerheim et al., 2019). Most individuals would assume that agility refers to the capacity to move quickly and easily. At least, the Oxford Dictionary defines it as such. A simple Google search for ‘agility’ mainly results in IT programming methods. In the business context, the term “agile management” was coined in 2001 by the Agile Manifesto for use in the software industry (Hohl et al., 2018). The term agility can be traced back to 1948 when the *Toyota Way* and agile methods in lean thinking were developed (Measey et al., 2015). According to Naslund and Kale (2020), agile is a management approach, with consultants such as McKinsey promoting its widespread adoption. Haneberg (2011), on the other hand, defines agility as the inherent ability to consistently adapt without compromising core principles while responding effectively to ongoing changes in a dynamic environment. Similarly, Gligor et al. (2015) conceptualise agility as the inherent ability of an organisation to swiftly and adeptly adjust to changing circumstances.

Gligor et al. (2015) further argue that business agility is a holistic capacity rooted in the centrality of individuals, which empowers an enterprise to bestow worth in a realm marked by incessantly escalating volatility, uncertainty, complexity, and ambiguity (VUCA). This objective is accomplished through the cultivation and mobilisation of collective and inventive methodologies employed by the individuals within the organisation, all in service of fulfilling its fundamental mission. Organisations that lack agility are more likely to be subjected to Darwin's (1872) theory of acclimatisation and natural selection, which dictates that only agile organisations survive in times of global changes in business models.

Adapting to something is arguably a change in a given situation, as opposed to a change with the situation or, even better, being ahead of the change (Mundra, 2018). Therefore, instead of adapting to a change, it is advantageous for organisations to view it as an opportunity, resulting in improved performance. As Jennings and Houghton (2002) put it, "It's not the big that eats the small; it's the fast that eats the slow." Jim Highsmith, one of the signatories of the Agile Manifesto, stated, "Agility is the ability to both create and respond to a change in order to profit in a turbulent business environment." This aligns closely with the researcher's understanding of agility. Instead of adapting to a specific situation or responding but being ahead of it, agility is an organisation's ability to consistently use changing environments as an opportunity to outperform competitors.

When trying to grasp agility as a method, the concept often appears more like a buzzword than a tool. The overwhelming mass of online consultants offering agile coaching and master classes contributes to a conceptual murkiness that makes the term ambiguous and undefined. Even in the software engineering industry, Wiesmann (2023) states that the fuzziness of the term agile causes ideological discussions and wrong decisions and should not be used at all in science and industry. This makes it necessary to carefully define where the research should find its place in the vast landscape of agility or find that the term agile should be avoided, as Wiesmann (2023) suggested.

Since agility in business originated from management in software development, namely by the Agile Manifesto in 2001, most library or internet searches lead to software. Today, agility has migrated into other functions and roles and found ingredients like organisational, strategic, operational, and leadership agility (Joiner,

2019). Athamneh et al. (2023) use the term human resource agility when it comes to agility as a practical concept of new management methods.

There is no clear definition of organisational agility other than, as the word *organisational* suggests, a framework for the whole organisation or firm (Harraf et al., 2015). Winter (2020), following a literature review of 75 sources, defines organisational agility as an adaptive, always-on, dynamic capability that can be implemented quickly and efficiently as needed to improve business performance in a dynamic market environment. This definition is a result of an inconsistency in the reviewed literature about the term, but the researcher doubts that one more definition of organisational agility or agility will help clarify the true meaning of the term.

Chen et al. (2017) defined organisational agility as the extent to which companies can adapt their business processes quickly and easily to changing market conditions. On the contrary, Singh et al. (2017) suggest that organisational agility should not be defined by speed-to-market or strategic flexibility and related concepts but changed to reflect an organisation's ability to intentionally "sense and respond" to changes in the pace and amount of variety generation in its market offerings. Decades of research seem to have diluted the definition of the term. Tallon et al. (2019) characterise agility as the "sensing and responding to change," which is not far off the original 1982 definition of organisational agility as "the capacity to react quickly to rapidly changing circumstances" (Winter, 2020).

As noted earlier, Athamneh et al. (2023) compiled 19 definitions of human resource agility from the literature between 2014 and 2022, all of which are different, mirroring the situation with organisational agility. It is not the aim of the researcher to come up with yet another definition since that does not help to provide a better understanding of the term. Instead, the researcher sticks to the definition described in the previous section.

Given the fuzzy nature of the term agile, as Wiesmann (2023) wrote, it may not be helpful to see a self-managed organisation as part of an agile framework, despite some researchers making this connection. For example, Kohnová and Salajová (2021) consider self-managed teams to be part of a self-managed organisation in human resource agility. Athamneh et al. (2023) also propose a qualitative approach for future research to gather data on influencing factors of human resource agility. Meshchaninov (2023) sees a trend toward agile and distributed organisations, which is articulated in

the introduction of self-managed organisations, representing the research's main aim. Despite these examples, most literature does not generate a substantial link between SMOs and Agility. This suggests that SMOs are best understood not as part of an agile framework or system, but rather as something that stands on its own and could support the named frameworks. Therefore, SMOs should be researched as independent entities, not inherent to agility.

2.4.5 SMO as part of New Work

New Work has also gained significant academic interest and practical relevance within business. In essence, New Work upends traditional work frameworks by prioritising freedom, meaning, and imagination (Bergmann, 2004). At the same time, organisational models have evolved to address these tenets. A case in point is the self-managed organisation, which largely abandons hierarchies of power for structures of decentralised, empowered teams (Laloux, 2014). This section probes whether self-managed workplaces can be categorised within the broader New Work agenda, theoretically and empirically examining the underpinnings and evidence that identify the relationship between self-management and innovations in the contemporary work environment.

New Work is most immediately associated with Frithjof Bergmann (1984, 2004), who first used the term to respond to the changing nature of work in light of technological development. Bergmann's idea was that traditional employment frameworks—featuring rigid hierarchies and working hours—no longer provide enough satisfaction or freedom in the modern era. Instead, he foresaw a paradigm where people have the liberty to work in careers they genuinely love, simulating creativity, self-determination, and more extensive social interaction.

Over time, scholars have extended Bergmann's ideas, linking New Work with flexibility in work arrangements such as telecommuting, flexible working hours, and project teams (Koslowski et al., 2019); empowerment and engagement through employee involvement in decision-making (Chughtai & Buckley, 2011); and meaning-based models emphasising social output and self-development (Pink, 2009).

Both self-management organisations and New Work emphasise giving individuals and teams the freedom to craft their work process, schedules, and often locations. Bergmann's (1984) idea of meaningful labour also resonates with Laloux's (2014)

emphasis on evolutionary purpose in TEAL Organisations, suggesting that genuine self-management must involve shared values and a strong sense of organisational purpose. Traditional, hierarchical power structures are at odds with the New Work ethos of collaboration and co-creation (Spreitzer et al., 2017). Self-managed systems, by definition, do away with hierarchies in favour of distributed leadership.

Given the ideational compatibility of New Work's emphasis on autonomy, fulfilment, and purpose with the structural and cultural features of self-managed organisations, whether such an organisation can be considered part of New Work is not a question easily answered. In a sense, it can, but this is subject to implementation and culture. As already stated, self-management is arguably the most powerful means of putting the values of New Work into practice. By employing decentralised decision-making and shared responsibility, organisations can create the innovative, cooperative, and sense-giving workplaces advocated by New Work. However, an SMO may be implemented without being embedded within a New Work environment. Therefore, SMOs should be viewed as systems or frameworks that can assist a New Work system but may also be utilised as stand-alone frameworks. Accordingly, SMOs will be examined independently of New Work.

2.4.6 The Benefits of an SMO

Models such as Holacracy, Sociocracy, Teal organizations, Liberated Firms, and Spaghetti organizations are presented as pathways to a more humane and adaptive form of organizing (Khoury et al., 2024). The most influential popular and managerial narratives—such as Laloux's *Reinventing Organizations* (2014)—portray self-management as the next stage of organizational evolution, equating decentralization with psychological liberation and performance excellence. Foss and Klein (2023) criticize this genre, labelling it the bossless company narrative, which exhibits half-baked organizational concepts and abandons the complex contingencies that justifying managerial hierarchy. They argue that proponents of SMOs extrapolate from isolated success cases like Zappos or Buurtzorg while ignoring the informational, coordination, and incentive functions managers continue to fulfil. Empirical investigations of actual SMOs reveal a far more nuanced picture. Schell and Bischof (2022) revealed in their qualitative studies on Holacracy, analysing 43 interviews in Swiss organization, that while participants valued autonomy and purpose, many experienced confusion, anxiety, and role ambiguity. Similar concerns are raised by

Doblinger and Class (2023), who show that engagement is highest when employees' ideal and perceived decision autonomy align, because extraversion and openness predict a higher ideal for autonomy, mismatches may be more likely—and exhaustion more probable—among employees whose traits point to a lower autonomy preference. Butsch and Bell (2025) extend this argument, warning that a universal transition to self-management risks leaving employees behind who lack the confidence, self-efficacy, or desire for autonomous work, arguing that a high number of employees may not naturally fit SMO demands. The Liberated Firm framework, analysed by Khoury et al. (2024) in a systematic comparison of five related models—Holacracy, Sociocracy, Management 3.0, Spaghetti, and Teal—find evidence of performance enhancements and improvement in well-being and creativity but also note disbelievers among academic who question whether liberation is feasible or merely symbolic. One of them, Foss and Klein (2023), articulate theoretical critique which underscores the problem of one-size-fits-all prescriptions. They contend that the bossless narrative fails to consider contingency factors such as task interdependence, knowledge complexity, and the transaction costs of coordination. From this standpoint, abolishing managerial roles without substituting equivalent integrative mechanisms risks inefficiency, conflict, and drift. Empirical studies confirm the risk that even in highly idealized SMOs, informal hierarchies and hidden power structures can emerge to fill the coordination void and also problematize the assumption that self-management inherently enhances resilience and crisis performance (Lee & Edmondson 2017). Butsch et al. (2025) argue that SMOs excel in local responsiveness but falter in large-scale coordination when rapid strategic alignment is needed, for example during organizational crises. They propose a hybrid model that alternates between decentralized and centralized command depending on situational demands, noting that the lack of clear chains of command can hinder strategic direction and resource coordination during crises. The same authors' later work on the Incident Command Self-Managed Organization (IC-SMO) elaborates this idea, combining agile, peer-governed modes in normal operations with hierarchical command structures in emergencies to ensure coherence (Butsch et al. 2025). This hybridization directly contradicts the utopian assumption that pure self-management is optimal under all conditions.

Technological transformations add another layer of complexity, with the situation that in the age of AI the future of work will require more flexible organising, new structures,

and more adaptable systems (Sarala et al. 2025), with managerial hierarchy itself under pressure and that the role of managers will transform or may diminish because AI would take over tasks previously performed by managers (Baumann and Wu 2023). Butsch et al. (2025) conclude that although AI reduces the need for some managerial functions, it does not eliminate the necessity for organizational design choices balancing autonomy with accountability and predict that hybrid, context-specific configurations—rather than fully self-managed structures—will dominate in the AI era, since algorithmic coordination itself introduces new dependencies and control mechanisms. Hence, even technological decentralization does not guarantee managerial obsolescence.

Literature often adopts an ideological humanist lens—framing SMOs as moral progress (El Khoury et al., 2024), with evidence based on a few handpicked cases, like Valve, Zappos and Oticon (Foss & Klein 2023). A common misconception about self-managing organizations is that they abolish status differences. While such disparities may be reduced, they persist and require active management with former supervisors may still exert influence, leaving employees uncertain about whether to follow the new self-management structure or defer to prior hierarchies (Bernstein et al., 2016).

These empirical and conceptual limitations have led to a growing critical movement calling for pragmatic pluralism rather than ideological purity. El Khoury et al. (2024) advocate viewing liberation as a continuum rather than an absolute, while Butsch et al. (2025) propose adaptive architectures that allow switching between governance modes. Foss and Klein (2023) call for integrating SMO research into the broader discipline of organization-design theory, emphasizing the need to understand when managerial hierarchy creates value instead of assuming its redundancy. Together, these contributions suggest that the future of self-management lies not in abolishing structure but in designing flexible, context-sensitive systems capable of balancing autonomy with coordination.

2.4.7 Challenges of SMOs

Employees want flexibility nowadays, and many would prefer their organisations to offer more hybrid and remote work options (McKinsey, 2021). This shift leads to absences among employees, managers, and peers, making classical management methods less effective when employees are not controllable and have a greater level

of autonomy (Graves & Karabayeva, 2020). The COVID-19 pandemic accelerated remote work, with many workers experiencing it for the first time. However, the share of employees working remotely worldwide is still at 28 percent, even though restrictions that were applied during the pandemic have been relaxed (Statista, 2024).

Volatility, uncertainty, complexity, and ambiguity in today's business, or VUCA, further necessitate flexibility in management methods (Nold, 2022). The so-called Fourth Industrial Revolution, marked by technological challenges, inter-organisational network relations, and unsatisfactory staff commitment, underscores the need for evolutionary organisation models like the SMOs (Moreno et al., 2020). The main difference between SMOs and conventional management systems is that SMO employees work on behalf of the organisation rather than a manager (Lee & Edmondson, 2017). While a self-managed organisation cannot predict the future, its members may intuitively understand and act according to the organisation's purpose without needing to be told (Moreno et al., 2020).

Self-management appears well-suited to agile and complex environments, producing improved efficiency and benefits for the business, stakeholders, and employees (Balog, 2020). However, this statement also implies that there are organisations where SMOs do not fit because the environment is less complex, and agility is secondary. SMOs also seem more attractive in industries where the employees require an advanced education. In contrast, industries employing low-skilled workers, who may be mainly motivated by salary, might find self-management more vulnerable to poor performance without adequate monitoring (Martela, 2019).

Furthermore, the concept of employees defining the business's future and setting their own salaries (Doblinger, 2023) may not align with the expectations of managers or, in smaller companies, the owner. SMOs abolish middle management in favour of decentralised authority and employee empowerment (Lee & Edmondson, 2017). As such, middle management may not be the main driver of SMOs since the introduction would terminate their managerial status or, in the worst cases, their job. Instead, the owner of the SME is typically the driving force, which corresponds to the view that the behavioural characteristics of SMEs are largely determined by their owner-managers (Lloyd-Reason & Mughan, 2002).

Eliminating most managers also change hiring processes since personnel selection needs to account for individual decision autonomy (Doblinger & Class, 2023).

Challenges may also arise from individual personalities and diverse setups in self-managed teams. For example, individuals with adult attention deficits would not be as efficient at working in a team as others (Coetzer & Richmond, 2007). Kohnová and Salajová (2021) left the necessary qualifications of employees in self-managed teams unanswered, but they note that a lack of qualified employees may harm implementation. Stray et al. (2018) further identified barriers that can affect the efficiency of agile and self-managed teams, like unclear objectives, lack of trust, a high dependency on others' output, and limited support and coaching.

Another issue might be that businesses certified with a management system, for example, the almost 50,000 German businesses certified in ISO 9001 (ISO, 2022), need to follow specific rules and regulations. One of them is that top management has to assign responsibilities and authority for relevant roles in an organisation (EN ISO 9001:2015, 5.3). This could not be depicted easily with SMOs like the Spaghetti Organisation, where, in the absence of a hierarchy and with this manager, job descriptions do not exist, and mentors are chosen by the employees themselves (Khoury, 2024). Since companies can be certified in many management systems, like cyber security or environmental management systems (ISO, 2024), future research may explore whether an SMO is the right approach for certified businesses or how a certification can be integrated into an SMO and vice versa.

As much as maturity levels of management systems are validated and certified by an audit comparing the introduced management system to a certain standard (EN ISO 19011, 2018), this cannot be found for SMO frameworks like TEAL organisations (Laloux, 2014) or Holacracy (Robertson, 2015), since they only describe a particular ideal condition of this framework. Khoury et al. (2024) and Martela (2019) present indicators that help to define if an organisation is effectively applying self-management. Still, their definition does not yet measure an SMO's maturity level because it lacks an assessable scale. The definition from section 2.4.3 overcomes this situation with a measurable definition of an SMO.

There are also critical voices regarding an SMO or "bossless company," as Foss and Klein (2023) call it. They argue that there is insufficient empirical evidence supporting the viability of the bossless company and maintain that managerial authority is still relevant and that such companies are only a myth. Foss and Klein (2023) further state that firms have introduced radical flat structures but given them up again, such as

Zappos ending the experiment with Holacracy and Oticon stopping their Spaghetti Organisation

Holacracy is critiqued by Kühl (2023), who highlights several fundamental concerns regarding its promise to eliminate hierarchy and empower employees through decentralised structures. Firstly, he argues that Holacracy's highly formalised system of circles and roles replaces traditional hierarchies with equally rigid internal processes, creating hidden hierarchies where specific individuals or groups still hold power through informal channels or expert knowledge. Secondly, he points out that Holacracy demands significant administrative effort and may introduce layers of complexity and bureaucracy through frequent meetings, formal proposals, and rule-setting. Lastly, he questions Holacracy's assumption that all employees desire or can handle high levels of autonomy and constant self-organisation. He warns that the model may disregard differences in motivation, experience, or personal circumstances (Kühl, 2023).

2.4.8 Transformation of SME into Self-Managed Organisation

Generally speaking, and detached from SMEs, the motivation for the introduction of SMOs can have various reasons, for example the speed of technological developments and the rapid flow of information as threat to those who act slower (Lee & Edmondson, 2017). Another motivation is to keep pace with the knowledge economy and the creation, storage, and distribution of knowledge, which SMOs support (Blackler et al., 1993). Further, there are trends to see the work environment as a place of personal meaning, which makes it necessary to improve employee empowerment and experience (Podolny et al., 2004). This is valid, especially for newer generations entering the workforce with greater expectations of mission and fulfilment than previous generations (De Hauw & De Vos, 2010).

SMEs most likely utilize a classical hierarchical management system when it comes to the applied management model. Borowiecki et al. (2021) revealed in a study across the USA, Georgia, Slovakia, Brazil, England, Romania, Czech Republic, Ukraine, and Spain that over 92% of all SMEs apply a traditional management model, with over 40% of decision-making concentrated in the boss (25.8%) and the leaders (15%). Even though Germany was not included in this or a similar study, it can be assumed that the numbers would not differ significantly. It is also worth noting that 46.8% of the companies included in the study by Borowiecki et al. (2021) had more than 249 employees and were, therefore, not in the SME segment.

Kohnová and Salajová (2021) conducted an empirical study in the SME segment. They analysed businesses in Slovakia regarding their attitude towards self-management, with the result that no SME had introduced self-managed teams, but more than 15% of the larger companies had. Kohnová and Salajová (2021) stated that even though SMEs had not introduced self-managed structures and models, their desire to do so was much greater than that of larger entities. The study did not clarify why this is the case and why SMEs are only interested in the implementation but do not start it. Kohnová and Salajová (2021) interviewed HR specialists in their research, but due to the size of SMEs, the driver for new management models might mainly be the CEO or the owner and not the HR department. This suggests that the figure of 15% of SMEs who would like to introduce self-management would be different if owners or CEOs were asked instead.

In summary, the study by Kohnová and Salajová (2021) revealed that SMEs with implemented self-management are not very common, but there is some interest in introducing it. It can be assumed that the numbers Kohnová and Salajová (2021) determined in Slovakia are also valid in Germany and other countries.

Schell and Bischof (2022), who claim to have done one of the first empirical studies on SMOs, described five unnamed companies, three of which were SMEs, and one was a micro business (below 10 employees). The driver for introducing an SMO in the two businesses with more than nine employees was the desire to become more agile and to formalise self-management (Schell & Bischof, 2022). Some information is available on how the transition was conducted, as this was part of the study. However, Schell and Bischof restricted the study to businesses that utilised Holacracy, which is only one of many approaches to becoming self-managed and cannot be used as a representative model for the introduction of SMEs, since it has an extensive set of rules and regulations that may be far too complex for an SME to adopt. It is also relevant to note that Zappos, one of the most well-known and researched companies that adopted Holocracy, eventually abandoned the model, as did Oticon with its Spaghetti Organisation (Foss & Klein, 2023).

Further, there must be a starting point for a transformation process, which the researcher leaves open, as it can be anything, but it will most probably be a traditional management model, as Borowiecki et al. (2021) revealed. As an endpoint of the transformation, the researcher defines a business as self-managed when it has reached a minimum of 70% operational, strategic, and functional decision-making

authority transferred to the employees. A minimum of 70% of all key figures and indicators transparent wherever this is practical and appropriate, as described in section 3.4.3.

Information or description of the transformation process from any management model towards an SMO is lacking, both in literature and empirical studies. As mentioned earlier, there has not yet been a focus on SMEs transforming into SMOs; most research has focused on large corporations (Giuliano, 2022), the results of which are not directly transferable to SMEs since they operate differently in intrinsic ways (Spence, 2007). Further, the focus has been on describing various SMO frameworks but not on how a transformation process could be conducted, which this research seeks to change by contributing with research on SMEs and their transformation process into SMOs in literature and practice.

2.5 Change Management and SMEs

Companies across various industries are increasingly required to adapt, not only in response to competitive and technological pressures but also proactively in anticipation of future changes and trends. This has led to substantial attention in change management, encompassing conceptual frameworks, empirical research, and practical applications (Kerber et al. 2005). However, the theories and approaches to change management currently available to academics and practitioners often conflict, lack empirical support, or are based on untested assumptions regarding organisational change (Todnem, 2005).

Transitioning from one managerial concept to another can significantly impact an organisation, as routines must be altered. For example, Laloux's (2014) TEAL organisation describes how employees who worked many years under the owner as the boss shall now give up this relationship and trust that there is no boss anymore. Those changes introduce ambiguity and novelty, simultaneously destabilising and validating existing organisational routines (Graetz & Smith Aaron, 2010). Such changes can benefit from planning and confidence in the change process, supported by appropriate management tools and techniques (Lauer, 2020). These shifts also challenge an individual's core sense of identity and trigger strong motivations to revert to the status quo, where the need for personal consistency is a significant force

opposing the implementation and stabilisation of organisational change (Moran & Brightman, 2000).

However, change management in SMEs is often unsystematic, and critical steps are frequently omitted (Susman et al., 2006). This could be due to the complexity of change tools and the mismatch between the strategies and organisational contexts (Kerber et al. 2005). SMEs tend to focus on operational, short-term, and internal concerns. This reactive approach ignores the oversight of strategic, long-term, and intangible dimensions, ultimately reducing adaptability and resilience (Ates & Bititci, 2011). Change in SMEs is frequently motivated by external stimuli, notably customer demands and global competition (Soderquist et al., 1997). Consequently, many SME managers acknowledge the external environment as fixed and establish reactive mechanisms to navigate its influences rather than harnessing internal capacities for proactive change (Ates & Bititci, 2011).

Although some SMEs have adopted permanent or continuous improvement strategies as a driver of change, most businesses do not include this in their culture (McAdam et al., 2000). This reluctance might be because SMEs often have limited financial and human resources for generating and implementing new ideas. Thus, they react to external triggers instead of creating foresighted strategic plans to achieve competitive advantages (Susman et al., 2006). Whether these limitations apply to SMEs transitioning from classical, hierarchical management systems to self-managed organisations is unknown. This research seeks to address this gap by gathering empirical data from businesses that have undergone this transformation.

2.6 Conceptual Framework

A conceptual framework has been developed to underpin the research and provide a clear direction by specifying what will be studied and how. It helps to further focus the research and make it more systematic and structured (Ravitch & Riggan, 2016). Conceptual frameworks also facilitate the identification of research gaps and the formulation of new research questions, thus advancing knowledge in the field (Maxwell, 2012).

By developing a conceptual framework with the purpose of argumentation, explanation, and generation, a researcher builds a thorough model, supports the study,

and interprets the relationships (Crawford, 2020). Consequently, building and rethinking the result enhances rigour and reason and fosters the literature review outcomes.

According to the research aim, the researcher intends to investigate how German owner-led SMEs have successfully transitioned from conventional hierarchical structures to self-managed organisational models. This aim breaks down into a fundamental understanding of a process called transformation from one system state to another. This suggests a starting point (typically a conventional management system) and an endpoint (a new management system) into which the old one is transformed. This transformation unfolds into four elements, which form the basis of the research questions and underpin the conceptual framework: the rationale for the transformation, the management of the transformation, the final management framework, and a reflection of the transformation.

2.6.1 Rationale for Transformation

Based on a study by Borowiecki et al. (2021), SMEs tend to operate using a command-and-control system, with proper instructions and a decision-making structure concentrated around the leaders and the boss, and with formal and organised organisational structures as a matrix or network. Borowiecki et al. (2021) further revealed that a small percentage (7.7%) utilised a TEAL or Holacracy framework, which was the basis for their study. They explain that this figure was derived from questionnaires assessing Teal-related qualities in organisations. Since those qualities, such as decision-making or flow of information, are valid for most SMOs, it is almost certain that the 7.7% includes not only TEAL organisations but also other variations of SMOs, which makes this the number of businesses the researcher is targeting. The management systems of 7.7% of businesses most likely utilised a traditional management system before they adopted an SMO if they had not started with it already in place. While the study was conducted in the USA, Georgia, Slovakia, Brazil, England, Romania, Czech Republic, Ukraine, and Spain and excluded Germany, it can be assumed that figures for German businesses are similar.

Every process must be triggered or started, and something or someone must be the driving force behind it. Change processes within SMEs are driven mainly by external stimuli, notably customer demands and global competition (Soderquist et al., 1997). Additionally, these processes are typically reactive rather than proactive (Ates & Bititci,

2011). However, SMEs would need to adopt continuous improvement strategies as a driver for change, as most do not include this in their organisational culture (McAdam et al., 2000). Initiating a change would likely be the responsibility of the owner-manager, whereas, in larger firms, this would be a group activity (Lloyd-Reason & Mughan, 2002). Based on this, the transformation process of an SME into an SMO is expected to start and be driven by the owner-manager.

However, the reason why the owner-manager would initiate the transformation into an SMO needs to be clarified. Reasons, valid for larger entities, can also trigger the change process in SMEs, like the speed of technological developments and the rapid flow of information (Lee & Edmondson, 2017), to keep pace with the knowledge economy and the creation, storage, and distribution of knowledge (Blackler et al., 1993), or to improve employee empowerment and experience (Podolny et al., 2004). Ultimately, the reasons for initiating a transformation process in SMEs into SMOs must be clarified due to a lack of research (Schell & Bischof, 2022).

2.6.2 Transformation Planning and Managing

Changing from a classical management model to an SMO can create competing narratives that introduce ambiguity and novelty, simultaneously destabilising and validating existing organisational routines (Graetz & Smith Aaron, 2010). Lauer (2020) indicated that a plan should be made with specific management tools and techniques to control the change process. However, change management processes in SMEs are mostly unsystematic, and critical steps are often omitted (Susman et al., 2006). Therefore, the change process is expected to be widely driven by individual experience and practice. This may be due to the complexity of aligning change strategies with specific organisational contexts (Kerber et al., 2005). Furthermore, SMEs often have limited financial and human resources to generate and implement new ideas (Susman et al., 2006).

In the absence of sufficient financial resources for specialised consultants, owner-managers may design the transformation process to the best of their knowledge. Given the fragmented research in this area, which leads to numerous terms and understandings of SMOs (Khoury et al., 2024), the transformation might also be shaped by the personal interpretations of those leading it. These interpretations may influence terms like self-managed, decision making, or transparency of metrics and indicators. Therefore, empirical research needs to be conducted to understand the

rationale behind transformation, how transformations are triggered and controlled, and how the process itself unfolds since empirical data on SME transformations into SMOs are limited (Schell & Bischof, 2022).

2.6.3 SMO Characteristics after Transformation

Schell and Bischof (2022) claim to have conducted one of the first empirical studies on SMOs, describing five unnamed companies, of which three fall within the SME category. However, their research was limited to Holacracy as a framework. Borowiecki et al. (2021) identified several SMEs, with fewer than 8% having some form of SMO in place.

As previously mentioned, it is reasonable to assume that owner-managers shape the transformation process based on their expertise, constructing the final management framework according to their interpretation of an SMO. This suggests that various frameworks, such as Holacracy, TEAL, Sociocracy, Spaghetti Organisation, Liberated Firm, or any other form of self-management the owner-managers deem suitable, might be in use. This uncertainty about the frameworks utilised by self-managed SMEs underscores the need for further empirical research to fill this gap.

Another aspect that could influence the final management system is that not all employees fit into an SMO. For example, persons with neuroticism, who are more prone to self-doubt and worry, may not perform well in an SMO (Butsch & Bell, 2025), whereas those with extraversion and openness may thrive (Doblinger & Class, 2023). Lee and Green (2022) express a similar view, stating that high-performing employees tend to experience improvement in their work while low performers may struggle.

2.6.4 Retrospective of the Transformation

In order to reflect on the transformation from a classical hierarchy system to an SMO from a scientific standpoint, empirical evidence is necessary, as it demonstrates business theories through real-world testing (Yin, 2017). According to Schell and Bischof (2022), who claim to have conducted one of the first empirical studies in this area, the data and findings, especially regarding SMEs, are minimal. Most academic references concern large companies that have introduced self-management, such as Zappos, Morning Star, and Valve (Lee & Edmondson, 2017; Martela, 2019), FAVI, Quad Graphics, SAS, W.L. Gore & Associates (Getz, 2009), Oticon, and Buurtzorg (Foss & Klein, 2023). It is still unclear whether self-management is a framework that

can be sustainably utilised in businesses, especially SMEs. Some larger firms that introduced radical flat structures eventually gave them up. For example, Zappos discontinued its Holacracy experiment, and Oticon stopped its Spaghetti Organisation (Foss & Klein, 2023).

There are few studies on the transformation process, and those that exist focus on larger companies. Furthermore, they do not always consider the SMO as a whole but rather specific components, such as self-managed teams. Renkema et al. (2018) investigated a Dutch company, again Buurtzorg, and stated that there is little understanding of the transformation of organisations towards self-managing teams (SMTs). Since SMTs cannot be considered a whole self-managed organisation, it can be argued that no study reflects the complete transformation from a classical hierarchy system to an SMO, especially in the SME context.

2.6.5 Conceptual Framework Conclusion

The conceptual framework outlined in this section provides a foundation for investigating how German owner-led SMEs transform into Self-Managed Organisations (SMOs). By breaking down the transformation process into four key elements—rationale for transformation, management of the transformation, final management system, and reflection on the transformation—the framework allows a systematic exploration of this complex phenomenon. The framework supports the identification of existing research gaps and aids in formulating research questions. It highlights the need for empirical research to understand the specific motivations, processes, and outcomes associated with SME transformation into SMOs. It further justifies the researcher's goal to shed light on the transformation process by examining how it has been conducted, what kind of final management framework has been constructed, and whether the transformation could have been improved. The results have been refined graphically in Figure 2.

With the conceptual framework's support, gaps in literature and practices can be verified. On the literature side, this would be empirical research for SME transformation into SMOs. Schell and Bischof (2022), as already written, claim to have done one of the first empirical studies in this matter, but it was limited to Holacracy and not, as the researcher targets, any SMO framework. On the practical side, the research can provide valuable planning and execution guidance for future SMEs, as this research

may reveal best-practice methods or failures to avoid, helping other businesses to transform into SMO.

Why ?	How ?	Outcome ?	Reflection ?
RQ1: What is the rationale of German Family business owners to transform their business to a self-managed organization?	RQ2: How did German family-led small and medium organizations plan and manage the transformation into self-managed organizations?	RQ3: What are the characteristics of the management framework after the transformation has been finalized ?	RQ4: How would the German family-led small and medium organization do something different in the retrospective of the transformation into self-managed organizations?
Research Questions			
Transformation Process			
Literature			
<p>Change in SMEs mostly driven by external stimuli like customer demands and competition (Soderquist et al., 1997).</p> <p>Valid for larger businesses, <i>possibly</i> valid for SMEs, too: Change to keep up with speed of technological developments and rapid flow of information (Lee & Edmondson, 2017)</p> <p>Valid for larger businesses, <i>possibly</i> valid for SMEs, too: Change to improve employee empowerment and experience (Podolny et al., 2004).</p> <p>Initializing the change would <i>likely</i> be in the hand of the owner-manager (Lloyd-Reason & Mughan, 2002)</p> <p>Rationale for transformation of SMEs need to be clarified due to the lack of empirical research in this area (Schell & Bischof, 2022)</p>	<p>Change management processes in SMEs are <i>mostly</i> unsystematic, and critical steps are <i>often</i> omitted (Susman et al., 2006)</p> <p>SMEs <i>often</i> have limited financial and human resources (Susman et al., 2006). It can therefore be <i>expected</i> that a transformation is conducted without specialized consultants, which <i>may</i> lead to a transformation process constructed by owner-managers</p> <p>Because research is fragmented in this area, it leads to a variety of understandings of an SMO (Khoury et al., 2024), which <i>may</i> lead to a transformation process constructed by owner-managers.</p> <p>How transformation of SMEs are conducted need to be clarified due to the lack of empirical research in this area (Schell & Bischof, 2022)</p>	<p>Eight percent of SMEs are <i>likely</i> to have some kind of SMO in place Borowiecki et al. (2021)</p> <p>Because research is fragmented in this area, it leads to a variety of understandings of an SMO (Khoury et al., 2024), which <i>may</i> lead to known one or any other management framework constructed by owner-managers.</p> <p>Not all employees are suitable for SMOs (Doblinger & Class 2023, Lee & Green Paul I. (2022), which <i>may</i> restrict the possibilities of small sized companies.</p> <p>How the final management framework <i>may</i> look like is unclear because of lack of empirical research in this area (Schell & Bischof, 2022)</p>	<p>Empirical evidence proves business theories through real-world testing (Yin, 2017)</p> <p>Valid for larger businesses, <i>possibly</i> valid for SMEs, too: After reflection, <i>Zappos ended the experiment with Holacracy and Oticon stopped their Spaghetti Organization, while reasons unclear (Foss & Klein, 2023)</i></p> <p>Due to lack of empirical research and evidence in the area of SMOs (Schell & Bischof, 2022), is a reflection on the transformation, especially in the range of SMEs, not available.</p>

Figure 2 - Conceptual Framework

2.7 Conclusion

According to Kohnová and Salajová (2021), SMEs are willing to introduce self-management, but there are also reasons not to do so. Literature like Laloux's (2014) *Teal Organisation*, Kolind's (1996) *Spaghetti Organisation*, or Robertson's (2015) *Holacracy* provide considerable insight into what self-management can look like. However, they all fail to explain how to reach that state. There seems to be a lack of information on how a transformation process can be conducted, especially without consultants, which SMEs may not want or may be unable to finance. This aligns with the statement that too few studies have been conducted to guide the efforts of becoming self-managed, with open questions such as how to transition into SMTs, how to train members of an SMO, or the role of stakeholders during the transition toward an SMO. In other words, there are many knowledge gaps and a need for deeper understanding, which leads to calls for further research in Self-Managed Organisations (Ellis, 2023).

It may even be the case that the SMO does not fit SMEs, as Heilmann et al. (2020) suggest that it is not yet clear whether an SMO management system has the potential to become a helpful tool for SMEs in the future. As already stated, there has been one empirical study, as the researchers claim, on SMOs, which sets its boundaries to Holacracy but includes three smaller companies in Switzerland (Schell & Bischof, 2022). Schell and Bischof (2022) state that there is little empirical data, that their research was one of the first to deal with new forms of self-organisation, and that it could provide a starting point for further research into these new forms of management. They call for more empirical studies in the field of SMO in SMEs, which this research will provide. Unlike Schell and Bischof, who limit their study to Holacracy, this research will not restrict itself to a particular framework.

Athamneh et al. (2023) conducted a systematic literature review in the field of human resource agility, also researching decision-making as one of the core elements of an SMO. They stated that there is a lack of scholarly literature on this topic, which this research will reduce, and that more qualitative data is needed to gain information on the influencing factors in human resource self-management, to which this research will also contribute.

Khoury et al. (2024) carried out one of the most recent studies into SMOs, highlighting the fragmented nature of research in this field. Their study found that this fragmentation

has resulted in the emergence of numerous overlapping terms, all essentially referring to the same goal: achieving a self-managed organisational structure. The researcher reduces this fragmentation by accepting all pathways and frameworks leading to SMO status and by defining an SMO solely according to decision-making authority and transparency (as written in section 3.4.3). This is further supported by five other criteria: flat hierarchy, no managers, promotion/sanction decisions by employees, employees' decisions regarding role and function, and employee-determined salary levels.

This research will provide insight into the transformation process from a non-SMO to an SMO in SMEs, a topic that has not yet been researched. Furthermore, this study aims to contribute to literature and practice by providing guidance and direction for SMEs willing to transform into SMOs. Finally, it seeks to reduce the fragmentation in SMO research by defining an SMO using parameters representing all frameworks' core values. These parameters are also intended for practical use in determining the maturity level of self-management in SMOs.

3. Research Methodology

3.1 Introduction

In this chapter, the research methodology adopted for the study is discussed and justified to support achieving the research aim to investigate how German owner-led SMEs have successfully transitioned from conventional hierarchical structures to self-managed organisational models.

The credibility and reliability of the research findings are directly influenced by the rigour and appropriateness of the chosen methodology and strategy. The methodology outlines the systematic procedures followed in collecting and analysing data to achieve the objectives of the study and answer the research questions, which are:

1. What is the rationale behind German business owners transforming their businesses into self-managed organisations?
2. How did German owner-led small and medium organisations plan and manage the transformation into self-managed organisations?
3. What are the characteristics of the SMO framework after the transformation has been finalised?
4. How would the German owner-led small and medium organisation do something different in the retrospective of the transformation into self-managed organisations?

A research methodology must be designed to answer these questions, which will be done in the next sections by following Saunders' research onion (Saunders et al., 2023). The chapter starts by outlining the research philosophy underpinning the entire study, shaping the approach to knowledge creation. It proceeds with a comparison between interpretivism and constructivism and the location of the research within the philosophical spectrum. This is followed by choosing a reasoning approach and an appropriate research strategy, which outlines the plan for conducting the study. Finally, a research design will be chosen, including whether it will be longitudinal or cross-sectional, before data collection and analysis are addressed.

3.2 Research Philosophy

The term "research philosophy" refers to a framework of beliefs and assumptions regarding how knowledge is developed, with a wide range of research philosophies

ranging from positivism at one end to pragmatism at the other, including philosophies such as realism and interpretivism in between (Saunders et al., 2023). According to Saunders et al. (2023), the extreme position on one side of the spectrum can be called subjectivism, and on the other is objectivism. Subjectivism stands for qualitative research, and objectivism for quantitative research.

The researcher will conduct an empirical study, grounded in the observation made during the literature review, that a lack of empirical studies exists in the area of SMO. This aligns with the research aim, as empirical research prioritises data obtained from direct observation and measurement, ensuring that the findings are based on actual experiences rather than theoretical assumptions (Njoku, 2017). The research aim suggests that the researcher observe businesses that have already transformed from a traditional management system into SMOs, including their journey and experience during the transformation. This would lead to two practical options if drawn from both philosophical extremes: either a quantitative approach, which may involve using a questionnaire sent to already transformed businesses and analysing their responses statistically, or a qualitative approach, which may involve interviewing business owners about their experiences of the transition process and analysing their responses using appropriate methods.

In either case, whether subjective or objective, the researcher would need to identify business owners who believe that they have already transitioned their business to an SMO to be able to interview them or send them a questionnaire. This could be done by asking a question like: “Did you transition from a traditional business to a self-managed one?”—regardless of whether the research is positioned in the qualitative or quantitative spectrum.

The answers to this question would likely vary from person to person, even if the researcher uses the definition of a successfully transformed firm as one where a minimum of 70% operational, strategic, and functional decision-making authority is transferred to the employees, and a minimum of 70% of all key figures and indicators are transparent wherever this is practical and appropriate. Thus, responses would be imprecise and influenced by the business owner’s own understanding of terms like self-managed, decision-making, or transparency of indicators. With the imprecise feedback, the researcher would get answers with multiple realities according to the interviewee’s personal truth. Moreover, since the literature review revealed that empirical studies are rare and little is known about the rationale of German business

owners in transforming their businesses to SMOs or how sociological factors influence such a transformation, a positivist research philosophy may not be appropriate.

Quantitative and qualitative research differ in their approaches to investigating relationships, facts, and values (Smith, 1983), with qualitative research being a process that improves understanding of a phenomenon (Aspers & Corte, 2019). Due to the subjective phenomena of the research, the researcher will only consider subjective research philosophies, which Saunders et al. (2023, pp. 146-147) identify as Interpretivism, Postmodernism, and Pragmatism.

Interpretivists have traditionally linked beliefs to normative standards of interpretation, but this relationship is complex due to the diversity of such standards across different social contexts. Belief attributions can be intersubjectively indeterminate, implying that multiple context-dependent interpretations can coexist without necessarily being incorrect. This highlights the importance of acknowledging the variability and context-sensitivity inherent in interpretivism approaches to understanding beliefs (Curry, 2018).

Postmodernists argue that the status of knowledge has changed in the postmodern era, primarily due to technological advancements and the increasing importance of information. They assert that knowledge is no longer valued for its intrinsic worth but has become a commodity to be exchanged and utilised for economic and political power. This shift leads to a fragmentation of grand narratives as knowledge becomes decentralised and its legitimacy continuously questioned, emphasising the pluralism and complexity of contemporary society (Lyotard, 1979).

Pragmatism, particularly influenced by John Dewey, focuses on the interplay between beliefs and actions through a process of inquiry that addresses problematic situations by evaluating potential actions and their outcomes. As a philosophical approach, pragmatism disrupts traditional metaphysical debates by emphasising experience and action over abstract knowledge, making it highly relevant for contemporary social research focused on practical problem-solving and social justice (Morgan, 2014).

A comparison of the major philosophies on the subjective side is outlined in the following table, produced with data from Saunders et al. (2023):

Table 3

Comparison of Major Philosophies in Qualitative Research

	Interpretivism	Postmodernism	Pragmatism
Ontology	Complex, rich socially, constructed through language and culture, multiple meanings	Nominal Complex, rich socially constructed through power relations, realities are silenced and dominated by others	Complex, rich, external reality is the practical consequence of reality, a flux of processes, experiences, and practices.
Epistemology	Focus on perception, stories, interpretations	What counts as truth and knowledge is decided by dominant ideologies	True theories are those that enable successful action
Axiology	Researcher is part of what is researched	Researcher and research embedded in power relations; researcher radically reflexive	Value-driven research initiated and sustained by researchers' doubts and beliefs

Table 4 - Comparison of Major Philosophies in Qualitative Research

The researcher aims to understand how businesses transform from traditional management to SMOs by interviewing business owners about their experiences during the transition process and analysing their responses using appropriate methods. These interviews will vary in meaning and reflect different interpretations of truth. Because of the human influences in management, the responses will also be complex in their sociology and include a variance in the perception of the narrative, which supports the appropriateness of an interpretivist research approach. The researcher, being employed in a business that is organised in a self-managed manner, is further incorporated in the research aim, which fosters the suitability of an interpretivist approach.

Constructivism is very close to interpretivism in literature, and the two philosophies are sometimes used interchangeably (e.g., Duffy et al., 2021). In the next section, interpretivism and constructivism will be contrasted to locate the research more precisely on the philosophical spectrum.

3.3 Research Philosophy: Interpretivism vs. Constructivism

Interpretivist thinking is closely tied to the German word *Verstehen* (Schwandt, 1998, p. 223), which means “to understand.” This suggests that an interpretivist would not only want to get the result of a query and accept this as the truth but also seek to understand the real meaning of the result—and may accept multiple true results.

Interpretivism can be traced back to the ideas of Immanuel Kant, who claimed that the objectivity of reality could not be independent of the person who experienced reality (Chen et al., 2011).

Interpretivism and social constructionism, as theoretical frameworks, endeavour to elucidate the intricate process by which individuals ascribe significance to their experiences. These paradigms diverge in their focal points: interpretivism places paramount importance on cultivating a profound, empathic comprehension of the cultural milieu in which meaning is generated. Meanwhile, social constructionism accentuates the pivotal role of language and social interaction in mediating the meaning-making process. The interpretivist endeavours to comprehend the subjective, emotional, and experiential dimensions of the individual under investigation, seeking to grasp their unique perception and lived actuality (Saunders et al., 2023, p. 150). For example, people from different cultural backgrounds experience a simple handshake differently. The same applies to the seemingly simple question of how many fingers one has on two hands: some would say ten, while another person with a different understanding of this reality might say eight because the thumbs may not be counted as fingers.

Social constructionism, or constructivism, is much younger than interpretivism and is associated with the work of Berger and Luckmann (1967), *The social construction of reality*. The core message of Berger and Luckmann is that many things can be socially constructed, including concepts, theories, scientific practices, and bodies (Chen et al., 2011). Due to its proximity to interpretivism, constructivism does not appear to play a significant role in business research philosophy. Constructivism is only described in one sentence in the glossary of *Saunders' Research Methods for Business Students*, a book containing 860 pages. Nevertheless, there is an important difference between interpretivism and constructivism. In contrast to the interpretivist, who seeks to comprehend the experience of a particular reality and its complex meaning, the constructivist asserts that people not only experience and perceive the situation in which they find themselves but also actively create it (Chen et al., 2011).

To answer the question of where the research is located when choosing between constructivism and interpretivism, it is important to understand that it is strongly connected to the term self-managed organisation (SMO), which is not clearly defined, is described with various terms, and is highly fragmented in research. An SMO is

further something that must be created and constructed within an organisation and may look different from business to business, shaped by the social understanding of those creating it.

Since all the transformed entities went from a state of not being self-managed to one of being self-managed, the research question could be rephrased as follows to determine the philosophical orientation: *How did the organisation construct their truth of being self-managed?* The answer to this question places the research within the constructivist approach of the philosophical spectrum, as the construction of truth is crucial in this inquiry.

3.4 Reasoning Approach

Saunders et al. (2023, p. 154) describe three different approaches: inductive reasoning, deductive reasoning, and abductive reasoning, or in other words, induction, deduction, and abduction. He further explains that research that begins with a theory, moves through the academic literature, and concludes with a test of a strategy would use deductive reasoning. Researchers who collect data, explore a situation or phenomenon, and generalise this in a framework would use inductive reasoning. Those who collect data to explain a phenomenon, generate a new theory or modify an existing one, and then support this with additional data would use abductive reasoning (Saunders et al., 2023, p. 155).

As previously stated, one research strategy could be to determine whether there is a best practice to transform a German owner-led small or medium-sized business into an SMO by examining already transformed businesses and their transformation process and, if possible, generalising this. Another possible strategy could be constructing an ideal transformation process using various sources, such as literature and existing theories. A third possibility could involve combining both strategies.

As the literature review showed, the number of sources describing self-management frameworks from a theoretical basis is significant. In contrast, there are relatively few empirical studies of businesses and their experience with SMOs. Therefore, the researcher has decided to collect data from the experiences of transformed self-managed businesses and generalise the findings, if possible. This could help generate a best practice method for transformation into an SMO, especially in the SME sector. With this approach, the research would be located within inductive reasoning.

3.5 Research Strategy

Having situated this study within an inductive reasoning framework and a constructivist epistemological position—thereby aligning it with a qualitative research paradigm—the next step is to select an appropriate research strategy. Because the research aim—understanding how German owner-led SMEs conduct and construct their transformation into self-managed organisations—requires access to situated meanings, interpretations, and context that are co-constructed in conversation, this study adopts a qualitative design centred on semi-structured interviews. Semi-structured interviews represent the most widely employed qualitative interviewing approach (Braun & Clarke, 2006), enabling researchers and participants to co-construct meaning through the joint reconstruction of events, experiences, and their underlying interpretations, and on an individual level the in-depth interview allows the interviewer to delve deeply into social and personal matters (DiCicco-Bloom & Crabtree, 2006).

Owner-managers as key actors in smaller firms respond to cues and their understanding and confidence, which is much different from larger firms (Atkinson et al., 2019), which indicates that a transformation process in SMEs is not solely a sequence of work packages or pattern but also an image of the owners believes and philosophies, which calls for an in-depth investigation of the owners values and ideas, which the semi-structured interview offers. Further, even the importance of owner-manager values in shaping SMEs engagement with ethics and social responsibility is well established, yet limited attention has been given to how these values are translated into and become embedded within the organisation and its practices (Oldham, 2024). This suggests even more that the transformation of SMEs into SMOs, which is more than just a project but a construct of experiences, ethics and social responsivities, emotionally textured sequence of decisions, experiments, reversals, and reflections, and not a linear endeavour, which cannot be grasped with a fully preset research design, but needs the flexibility a semi-structured interview would provide. A conversational semi-structured interview creates room for these narratives, allowing participants to link events to intentions and consequences over time and to values and believes that a standardised instrument would flatten. In this research, the interview serves as the frame for participants to move beyond what happened toward what it meant, providing depth that later supports cross-case synthesis.

Even though the research design has to give the owner-manager the freedom to explain in-depth his or her values, ideas and constructs during the interview, it is in the need to set also borders. On the one hand it is envisioned to investigate businesses which are successfully transformed into SMOs, which makes it necessary to set one boundary to the definition of a successfully transformed firm, which is where a minimum of 70% operational, strategic, and functional decision-making authority is transferred to the employees, and a minimum of 70% of all key figures and indicators are transparent wherever this is practical and appropriate. On the other hand, this research aims to aim is to investigate how German owner-led SMEs have successfully transitioned from conventional structures to self-managed organisational models, which makes it necessary to set also boundaries alongside the path of the transformation process in an interview. Qualitative semi-structured interview can accomplish that, by preparing an interview plot which provides guidance for the interview (Braun & Clarke, 2006) and depict exactly that track the research is seeking along the transformation process.

In sum, semi-structured qualitative interviewing is the method that best realises the project's constructivist purpose: to co-produce rich, contextualised accounts of how owner-leaders introduce, interpret and enact self-management organisations, to provide the possibilities to set boundaries and at the same time without strictly follow them, if necessary.

3.6 Methodological Choice

Saunders et al. (2023, p. 181) refer to the methods used, or the methodological choice, in the research design. This also includes specifying how data will be collected and analysed (McMillan & Schumacher, 2006, p.12). Saunders et al. (2023) use the terms qualitative and quantitative research design and categorise the methods into mono and mixed methods, where mixed methods are any combination of a qualitative and quantitative design, while a mono method utilises only one of the designs.

As the name implies, quantitative research is based on facts and figures. According to O'Leary (2004), quantitative research deals with data analysed using statistical methods. Quantitative research, on the other hand, encompasses everything that cannot be expressed numerically or analysed statistically. O'Leary (2004) identifies qualitative data as words, pictures, or icons and analyses thematic exploration.

Saunders et al. (2023) differentiate numerical data for quantitative research and non-numerical data for qualitative research and add mixed-method research, which combines qualitative and quantitative research methods and analyses. They also describe multi-method research, where multiple qualitative and quantitative methods are used but not combined.

Mixed-methods research has been utilised since the 1950s, with its popularity peaking in the late 1980s. Even with its increased use, mixed-methods research may not always be advantageous, as it requires a researcher to be trained in qualitative and quantitative research methodologies or to partner with someone who has expertise in the other method (McKim, 2017). Examples of mixed-methods research in business disciplines include Pfannes et al.'s (2021) research on brand narratives, which addresses an economic issue with quantitative research and the narrative behind the numbers. Similarly, Scott's (2022) research, *Making Sense of Work: Finding Meaning in Work Narratives*, employed mixed methods: a qualitative one to comprehend meaningful work and a quantitative one to comprehend the statistical significance of meaningful work.

This study is positioned as a qualitative semi-structured interview design about interpreting and making sense of the stories communicated to the interviewer (Jonassen & Hernandez-Serrano, 2002). Making sense of multiple stories cannot be assessed with variables, facts, and figures, which suggests the use of a qualitative mono method for this part of the research.

Nevertheless, narrators must first be selected, and a questionnaire might be appropriate to distinguish if their business has already transformed into an SMO, which is a prerequisite for participating in the study. Although a short quantitative survey seems useful as a narrator selection tool, it does not qualify this research as a multi-method design. For a study to be considered multi-method, the quantitative aspect must function as an independent research method. In this case, it does not, as quantitative research requires the examination of variables, analysis of their relationships, and application of statistical and graphical techniques (Saunders et al., 2023). Therefore, the use of three to five yes or no questions to determine eligible narrators does not constitute a separate quantitative method, particularly because no statistical or empirical outcome will be derived from the answers. Consequently, this

study is classified as qualitative mono-method research. The short questionnaire will serve the sole function of a preliminary tool for narrator selection.

3.7 Longitudinal vs. Cross-Sectional

There are two main possible ways to view the research in a timely manner: longitudinal and cross-sectional. Saunders et al. (2023) posit that a longitudinal study would research a phenomenon over an extended period, while a cross-sectional would research a phenomenon at a particular time, like a photograph or a snapshot. Given that this research involves more than one transformed business, that the duration of a transition is unknown and could easily take several years, and that there is little chance of finding many organisations that are synchronised in their transition into an SMO, a longitudinal study seems impractical.

Furthermore, longitudinal interviewing allows the researcher to examine how meanings evolve and how narratives change over time (McKibben & Breheny, 2023). However, this is not the aim of this study. Instead, the aim is to learn how German owner-led small and medium businesses successfully transformed from a conventional organisational structure into a self-managed organisation. This justifies the use of a cross-sectional study for the present research.

3.8 Data Collection and Data Analysis

3.8.1 Data Collection

In this research, the primary focus is on the journey of an SME from a traditional management system into an SMO, which the researcher seeks to understand by conducting semi-structured interviews. This targeted approach assures a comprehensive understanding of SMEs' unique experiences, challenges, and successes. The primary and secondary data collected are qualitative and derived from the narrator's detailed personal accounts.

Primary data in this study are collected directly from the SME narrator through semi-structured interviews. Before conducting the interviews, the researcher prepares a flexible guide outlining the main topics and research questions. This guide serves as a roadmap but allows for deviations based on the flow of the conversation and emerging themes. The interviews are conducted in a comfortable and confidential

setting, preferably in person, in an environment comfortable for the narrator, depending on their preference. If more practical or the narrator wishes to do that, the interviews will be conducted through video conference. The researcher establishes rapport with the narrator to create a trusting environment that encourages open and honest communication. All interviews are audio-recorded with the narrator's consent to ensure accurate capture of the conversation. The recordings are then transcribed verbatim, preserving the exact words and expressions the owner uses. This transcription process is essential for maintaining the authenticity and integrity of the narrative data (Bailey, 2008). The transcribed data are stored securely, with measures taken to protect the confidentiality and privacy of the narrator. The data is organised systematically to facilitate subsequent analysis.

During the interviews, the narrators may show data like charts, organisational structures, and other documents they deem important to support their story, enhancing the research by combining primary and secondary data to construct a more comprehensive understanding of the SME's journey. Integrating interview data with document analysis, industry reports, archival records, and media coverage can help triangulate findings, enhancing the credibility and richness of the research (Creswell & Poth, 2018). This combination allows the researcher to cross-verify information, explore different narrative dimensions, and uncover deeper meanings within the experiences. Semi-structured and unstructured interviews, complemented by various forms of secondary data, ensure that the data collected are rich, nuanced, and deeply reflective of the owner's personal and professional experiences.

3.8.2 Sample Selection

The research aims to learn how German owner-led small and medium businesses transformed successfully from a conventional organisational structure into a self-managed organisation and to determine if there are best practices for such a transformation. To explore the in-depth story of this journey, it is important to identify the main drivers of this transformation, who are the owners, since organisational change in SME is usually initiated and controlled by the owner (Atkinson et al., 2021). Also, SME-management is centralized around the owner, with decision making largely influenced by them (Rodriguez et al. 2013).

Having identified the owner of an SMO-transformed SME as the narrator, the transformed entities themselves must further be identified by adopting the criteria of a

successfully transformed business, which is where a minimum of 70% operational, strategic, and functional decision-making authority is transferred to the employees, and a minimum of 70% of all key figures and indicators are transparent wherever this is practical and appropriate. As this is a result of the whole transformation process, it needs to be broken down into various criteria using the principles of an SMO: flat hierarchy, no managers, promotion/sanction decisions by employees, employees decide role and function, salary level decision by employees, decision-making autonomy, transparency in all key information.

Since an owner of an SME can only act as a narrator, when they have transformed the SME into an SMO according to the above definition, the researcher will use a preceding questionnaire to identify the maturity of the SMO system in place. Only an owner of an SME with a total maturity rate of 70% in terms of self-management can act as a narrator. Utilising the SMO criteria and the table of principles (Table 2), the preceding assessment questionnaire can be produced as an identifier for a transformed SME.

Criteria	Assessment of Basic Principles						Total Achievement
Flat hierarchy	We do not have hierarchical levels	%	We do not have job titles	%	We would rather utilise responsibilities than job descriptions	%	
No Managers	Our managers are only coaches	%	Our employees choose their mentor	%	Our employees self-decide on vacation in the team	%	
Sanctions and promotions determined by employees	Our employees sanction colleagues as a team	%	Our employees promote colleagues as a team	%	Our employees self-decide on new appointments and contract termination	%	
Employees decide on roles and function	Our employees decide on what they work	%	Our employees decide when they work	%	Our employees decide where they work	%	

Salary level determined by employees	Our employees decide the salary level for new colleagues as a team	%	Our employees decide the salary level for existing colleagues as a team	%	Our employees decide on bonus levels for existing colleagues as a team	%	
Resulting Outcome							
1. Decision-making autonomy	Total decision-making autonomy of employees (as a result of the above)					%	
2. Transparency of all key information	All key information is available to employees at all levels					%	

Table 5 - SMO Assessment Questionnaire

The preceding questionnaire is developed as a self-assessment but will be completed together with a potential narrator before a final interview is scheduled, during a phone or video call. It is important not to anticipate the outcome of the later narrative. Therefore, the questionnaire will not be used for data collection; it will only be used as a selection tool. If an interview candidate does not achieve a minimum of 70% in total decision-making autonomy and 70% in key information availability to employees, participation in the research will not be considered because the business will not be rated as an SMO. This will ensure rigour, as only owners who have transformed their business into an SMO will participate in the research.

3.8.3 Semi-Structured Interview

Semi-structured interview methods require detailed planning to ensure the collection of rich, story-like data necessary for understanding human experiences' complexities (Reissman, 2008). Proper planning helps design an interview guide covering all relevant topics, ensuring that the data collected are comprehensive and aligned with the research objectives. This approach allows for capturing the full depth of participants' experiences and perspectives, which is essential for meaningful narrative analysis.

3.8.3.1 Interview Preparation and Questions

How, why, and what questions are common in qualitative research (Anderson & Kirkpatrick, 2016). These questions must align with the research aim and the research questions. Therefore, the preparation articulates the purpose of the interview to guide the conversation and ensure it aligns with the research goals (Creswell, 2013). Creating open-ended questions that encourage participants to share their stories in detail, avoiding leading questions and allowing for follow-up questions based on participants' responses is essential. An interview guide with open-ended questions that encourage storytelling yet remain flexible to allow the conversation to flow naturally should be prepared (Kvale & Brinkmann, 2009).

The interview will be organised according to the following schedule:

1. Small talk, including the question, "How do you feel today?"
2. Expressing appreciation for the participation and its importance.
3. Explanation of confidentiality/anonymisation and the fact that the interview will be recorded.
4. Explanation of the interview procedure.
5. Ask for consent to participate and to the recording.
6. Switch on the recording.

Initiation / Opening

The researcher will ask an opening question and wait until the narrator pauses and appears to have nothing more to say. After that, four questions will frame the interview, one per research question. The interview framework serves as a guiding structure rather than a rigid script, allowing the researcher to remain responsive to the participant's progressing explanation (Braun & Clarke, 2013). Because of the flexible interview sequence, questions could be changed in their order and intermediate question could be raised, depending on the narration.

The questions in the interview guide are as following.

Opening Question:

Can you tell me a little about your company?

Question 1

Why did you decide to introduce self-management in your company?

Question 2

How did you do that?

Question 3

What does your management framework look like now?

Question 4

Looking back now, what would you do differently?

Further questions in the conversation will be raised using active listening during the talk to show genuine interest and understanding, and further to gain more depth in the narration. Reflecting on what has been heard will confirm understanding and encourage further elaboration (Holstein & Gubrium, 1995).

3.8.3.2 Planning the Interviews, Transcribing, and Storage

The interviews will be scheduled and conducted in a comfortable, private setting, using audio recording to capture the conversations accurately (Seidman, 2013). Although the researcher suggests conducting them in the business owner's meeting room for practical reasons, the narrator will decide where the interview will take place, which can also be via video call.

The interview will last a maximum of ninety minutes since this timeframe allows for an in-depth exploration of the participant's experiences and stories without causing excessive fatigue or discomfort (Ntinda Kayi, 2019) while also balancing the depth of the interview with the participant's ability to remain engaged (Gudkova, 2018).

If secondary data is presented, which may include flipcharts, organisational charts, diaries, archival records, and other documents, as additional support to the primary data, will either be copied or photographed, whichever is practical.

All interviews will also be transcribed verbatim to facilitate detailed analysis, ensuring transcription accuracy to maintain the data's integrity (Davidson, 2009). Nonlexical expressions, like "Mmm, uh, huh, etc.", break-offs, for example, when one begins to articulate an idea and stops in the middle as well as pauses, marked "." or "..", depending on the length, will be transcribed to keep the personal narrative social and rich at many levels.

Original recordings will be deleted after successful transcription and later analysis of the interviews. Furthermore, all secondary data containing identifiable personal information will be destroyed after transcription and analysis.

3.8.3.3 Analyses of the Interviews

German was used for the interviews, as this was the native language of the narrators, which was then transcribed in German language. For the transcription, features like pauses or filler words, repetitive content, own comments and content which does not belong to the story was deleted, for example, when the dog jumped on the narrator's leg or in another case the narrator had to answer a phone call from the daughter. The transcript was then sent to the narrators for release and possible comments. Afterwards all interviews were anonymized.

The analyses of the semi-structured interviews could have been achieved in many ways. Given the nature of the data, the narrative focus, and the exploratory character of the research questions, which generate rich, complex narratives about self-managed organisational transformation, inductive thematic analysis offers an appropriate analytic pathway as this approach aims to uncover patterns of meaning across the dataset that address the research questions, generating an inductive analysis grounded in the data itself rather than shaped by prior theoretical assumptions (Braun & Clarke, 2013).

Before formal analysis begins, the researcher engages in an iterative process of reading, analysing, and rereading the data to identify key words, patterns, themes, and ideas that help shape the analytic direction (Guest et al., 2012). Braun & Clarke (2013) call this familiarisation and immersion process into the data. Naeem et al. (2023) describe the process of thematic analyses after familiarisation: keyword selection, coding, theme development, and interpretation and conceptualising, with conceptualising acting as answering the research question. As the first step after familiarisation the researcher will examine the interviews, identify for example phrases, ideas or patterns and assign keywords or phrases to them. Coding as the next step, forms the analytical core of thematic analysis, converting raw textual material into organised and interpretable units as the foundation for theme development (Naeem et al., 2023). Coding is an iterative and evolving process, involves multiple cycles over all interviews, with identifying new codes but also modify and merge them, if necessary (Braun & Clarke, 2013). To ensure rigor, the researcher notes also the applicable quote

from the interviews in the coding table next to the code. Developing themes after the coding, means looking for greater patterns in the codes (Braun & Clarke, 2013), which involves organising codes into coherent and meaningful groups to identify underlying patterns and relationships, thereby generating insights that address the research question (Naeem et al., 2023). Finally, the research involves an analysis, which includes the production of an interpreted and interesting version of the data around the themes (Nowell et al., 2017). As King (2004) suggests, the researcher will further provide direct quotes from narrators in the analyses (chapter 4).

To support the rigor of coding of the interviews and the later analyses, the researcher provides also the narration in a compact form to make it accessible to the reader. For this presentational reason, the researcher has reduced the interview transcripts to the core narrative by restorying in form of a narrative prose. The narrative prose has been produced still in German language, before they were translated into English. To perform the translation as the very last step has been chosen to keep as much information as possible in the original language.

In total seven interviews were conducted, which resulted in seven narrative proses. This decision of seven narrators was made to increase the rigor of the findings (Applied Doctoral Centre, 2025). Furthermore, at the stage of the seventh interview, repetition in the story content was observed, leading to the conclusion that data saturation had been reached.

3.9 Ethical discussion

According to the ethical principles from the University of Worcester, research must be justified, participants must give informed consent, their involvement must be voluntary, confidentiality must be ensured, and any risk of harm to participants, animal subjects, or the researcher should be appropriately mitigated.

It has been shown that other researchers identify gaps in both literature and practice for this type of research. The research would want to fill the identified literature gap on methods and influencing factors for owner-led SMEs willing to transform and contribute to practice by offering best practices, which justifies the necessity and worth of the research. The research participants, namely the business owners of SMEs as narrators, must be informed about the nature and purpose of the research. Since the interview will be one-to-one without witnesses, written consent must be obtained from

the participants, and the participants must be informed that they may withdraw their consent at any time.

In terms of interview location, it may be suggested that the interview be conducted in a neutral place where they do not feel compelled to inspirations Further, it may decouple the outcome from any influencing factors in a non-neutral environment. Since personal data will be collected, various data protection laws and rules, such as the European GDPR or the UK Data Protection Regulation and Act, must be considered. Apart from those laws and rules, the participants must be assured of confidentiality and anonymity. Depending on the narrator's story, it may be necessary to expand confidentiality, for example, when the interviewee talks about other persons, such as employees.

It is not expected to cause physical or psychological harm to participants. On the other hand, the researcher must be aware that participants or other people mentioned by the interviewees may face a negative impact on their economic or social standing. Additionally, it is important to respect cultural sensitivity, which may lead to an adjusted interview setting. There may also be language incorrectness due to non-native speakers, which must be considered. Another aspect of ethics is the researcher's personal interest in the subject. Since the researcher has started to introduce successfully self-managed teams in his organisation, he would qualify to be an interview partner. However, this should not influence the research group's participants. Finally, the interviewee may be biased by his perception. The persons to be interviewed are owners of small and medium-sized organisations and, thus, may fail to discuss mastered obstacles or failures since admitting failure can threaten an individual's self-esteem and ego. People tend to engage in self-serving biases, attributing successes to internal factors and failures to external factors to protect their self-image (Heine et al., 2001).

3.10 Conclusion

In terms of research philosophies, particular attention has been paid to how the term SMO is defined, resulting in numerous truths and fuzzy definitions of the term. Therefore, the decision must be made on whether to anchor the research on the interpretive or constructivism approach. Interpretivism and social constructionism diverge in their epistemological approaches to comprehending the complexities of these realities. Constructivists exhibit a profound interest in the intricate process by

which individuals actively construct their own realities. Conversely, interpretivists demonstrate a keen fascination with the unique and subjective experiences through which these constructed realities are perceived and comprehended individually. Constructivist researchers espouse the belief that the nature of reality is fundamentally shaped and moulded through social processes and interactions. A comparison between interpretivism and constructivism, two closely related philosophies, has been conducted to determine the most appropriate approach. The empirical investigation has conclusively ascertained that constructivism stands as the most suitable research approach. The primary reason for this is that businesses that transition from a state of not being self-managed to one of being an SMO must build something, or in other words, construct a particular truth rather than simply comprehending a given one, which suggests that the most preferred research approach would be the inductive approach. This is due not only to the lack of literature on SMO transformation but also to the objective of learning from transformed businesses, hearing their stories, and generalizing the findings into an SMO transformation best practice.

The subsequent phase within the research onion entailed identifying and selecting an appropriate strategic approach. Considering the interpretivist paradigm underpinning the research, an assessment was conducted to examine prevalent methodologies employed within this theoretical framework. Semi-structured interviews were used because they best serve the project's constructivist aim by enabling the co-production of rich, contextualised accounts of how owner-leaders introduce, interpret, and enact self-managed organisations, while offering sufficient structure to guide the conversation yet enough flexibility to move beyond predefined boundaries when necessary.

To identify the best narrators, it was envisioned that a mixed-methods research design would be utilized, with the semi-structured interviews occurring at a later stage and a quantitative method, such as a survey, used at the outset. Instead of utilizing two methods, it has been decided to conduct only the semi-structured interviews with a short questionnaire as a narrator selection tool without further analysis of the responses. For practical reasons, it has been decided to conduct the research as a cross-sectional study since the transition duration is unknown and could easily span several years.

The narrative coding is interpreted as multiperspective analysis, since the aim of the research is, to investigate multiple transformations and compare them. Narratives are analyzed as an order of events without social impact as well as their social impact in businesses alone. Lastly an overlay will be conducted to recognize patterns and dependencies between the event and the social impact.

3.11 Assuring rigor

Rigor in this research has been achieved through a series of well-considered and systematically implemented methodological decisions that enhance the credibility, reliability, and validity of the study's findings. The foundation of this rigor lies in the philosophical alignment with constructivism, which allows for the nuanced and socially embedded investigating how German owner-led SMEs have successfully transitioned from conventional hierarchical structures to self-managed organisational models. This philosophical stance supports a focus on the constructed nature of reality and the subjective experiences of business owners, providing a lens through which the complex, varied transformation journeys can be understood.

The study follows an inductive reasoning approach, chosen specifically because of the limited existing empirical research on SMO transformations and the need to generalise from observed phenomena. Inductive reasoning enabled the researcher to extract patterns and develop insights based on the in-depth narratives of the participants rather than testing pre-established hypotheses. Rigor is also embedded in the selection of semi-structured interview as the research strategy. This approach accommodates the contextual specificity of each business's transformation story by allowing participants to recount their experiences without the constraints an overly bounded study might impose, while still providing structure within the interviews across the transformational process.

To ensure methodological integrity, a structured process was applied for narrator selection. A developed SMO assessment questionnaire was used as a gatekeeping tool to ensure that only participants whose businesses met clearly defined transformation criteria (e.g., 70% autonomy and transparency) were included. This upfront filtering mechanism guarantees that the study only draws insights from authentic SMO experiences, reinforcing the relevance and consistency of the data.

The interviews are conducted in settings chosen for participant comfort, recorded with consent, and transcribed verbatim to preserve authenticity. Non-verbal cues and narrative nuances were also captured to maintain the integrity of the stories.

In the analysis phase, the interview transcripts in their original language (German) are validated by participants, ensuring accuracy and researcher transparency before translating them into English. The transcripts were refined into narrative prose to make it accessible to the reader for presentational reason. Multiperspectivity, by interviewing multiple business owners was employed and a comparative narrative synthesis provides a robust analytical framework that underpins the study's conclusions.

In sum, rigor has been achieved through coherent philosophical alignment, systematic methodology, strict participant eligibility criteria, rich and ethically conducted data collection, and detailed narrative analysis—all of which contribute to a trustworthy and meaningful exploration of how German SMEs have become self-managed organisations.

4. Findings and Discussion

4.1 Introduction

In this chapter, the researcher will conclude the analyses of the narrations around the research aim to investigate how German owner-led SMEs have successfully transitioned from conventional hierarchical structures to self-managed organisational models by coding the original interview across all narrations and summarizing the narrations into one single narrative comparison or analysis. As already stated before, the researcher will further provide direct quotes from narrators in the analyses (King, 2004).

4.2 Analyses

In the analysis, the researcher concentrates on the content of the narratives presented by the seven businesses, as this will facilitate a generalisation regarding the transition of SMEs to self-managed organisations. Even though all interviews have been transcribed exactly where they were spoken, they have been reduced to content without sounds like *erm*, *ahh*, *uhh*, or pauses in the second step.

In 2017, [pause] we were eleven or twelve employees back then, [erm] I started a process, a goal-finding process, because [pause] a clever consultant, [erm] had done various management training courses, [erm] and that, [pause] gave me the idea, [pause], I would still do it that way, if you don't have a goal, how can you possibly say that you were somehow successful? Because success is basically reaching your goal, and if you just keep meandering and leaving everything to chance, [um,] yes, [pause] somehow you need a plan.

Table 6 – Original Transcript [translated from German]

In 2017, we were eleven or twelve employees back then, I started a process, a goal-finding process, because a clever consultant, had done various management training courses, and that, gave me the idea, I would still do it that way, if you don't have a goal, how can you possibly say that you were somehow successful? Because success is basically reaching your goal, and if you just keep meandering and leaving everything to chance, yes, somehow you need a plan.

Table 7 – Original Transcript reduced (no erm, ahh,...) [translated from German]

The transcripts were then coded while reading them, following an inductive approach. Since every narration is different, the quality of narrative analyses depends more on analytical sensibility and creativity than on following a set of rules (Braun & Clark, 2013). The researcher developed coding while multiple reading of the narrations, also called the bottom-up approach, allowing themes to emerge organically (Charmaz 2006). The coding was consolidated in a table during reading, and themes were developed with the codes by finding similarities and overlaps (Braun & Clark, 2013) Table 8 shows the keywords, the quotes to the keyword and chosen code for the keyword. The coding has done manually, without use of a software.

1 - IT Service	Quotes	Code	2 - Financial Service	Quotes	Code
Did not have much structure,	and it was clear to me that I needed some kind of structure	Structure	Not satisfied with the way how the company was managed in the company he was employed before founding his own business	and there were many things that bothered me, among them the fact that decisions were made where the competence was no longer there.	Personal Philosophy
Scale up	If we then have 25, 30 employees, then it all just doesn't work with me as a manager	Scale up	In the business he was employed he felt lack of efficiency and unsatisfied employees. Wanted to make it better than the companies he worked for	So, from my experience, there were major inefficiencies and great dissatisfaction. I didn't want either of those things, so I changed them.	Negative experience
Agile Workshop with Microsoft with other companies which were self-managed	I then saw that this is not a fantasy, but that there are companies from the Microsoft ecosystem, other partners, who are obviously already living this	External Influence	Believes in giving more autonomy increases productivity and satisfaction	And I believe that you get the most out of people for the company, while at the same time achieving the highest level of satisfaction, if you give them greater autonomy	Personal Philosophy
Wanted to include resilience, flexibility, distributed knowledge, etc.	The speedboat: agile, adaptable	Increase Agility	Talent attraction and retention	Most of the younger people, university graduates, were enthusiastic because it captured the spirit of the times	Talent attraction
Felt that he would not be able to manage the company with traditional management system	Okay, self-organization somehow provides answers that were more plausible to me than a classic organizational structure.	Personal Philosophy	Started to give impulses	And then I thought, okay, that's how I want to do it, that sounds very coherent to me	Owner is Initiator
Read the book of Laloux, which gave him the final impulse	I then read Reinventing Organizations by Laloux and then immersed myself	Literature	Read the book of Laloux, which gave him the final impulse	And then a friend gave me the book Reinventing Organizations. And then I thought, okay, that's what I want to do	Literature

Table 8 – Code development – Examples for two Narrators (full table in appendix)

After developing the codes, they were consolidated as subthemes into a table, including themes and the research questions. In total, 38 subthemes have been developed while reading and re-reading the narrations multiple times to gain enough depth while, on the other hand, not overcomplicating the naming by having too many subthemes. After that, 9 Themes were designed to cluster the subthemes into meaningful groups, again assigned to a research question (see Table 9).

Research Questions	Themes	Subthemes
The Rationale of German Family Business Owners to transform their Business to a Self-Managed Organization	Influence on Transformation Decision	1 Structure
		2 Literature
		3 External Influence
		4 Internal Influence
		5 Experience
	Philosophy behind Transformation Decision	6 Personal Philosophy
		7 Work Philosophy
		8 Initiator
	Goal of Transformation	9 Improvement
		10 Growth
		11 Talent attraction
Planning and Managing the Transformation into Self-Managed Organizations	Initialising of transformation	12 Planning
		13 Literature
		14 Consensus
		15 Workshop
		16 Role definition
		17 Start
	Transformation process	18 Experiment
		19 Coach
		20 Road Block
		21 Duration
Characteristics of the SMO-Framework after the Transformation has been finalized	Organizational Framework	22 Holacracy-Like
		23 Self-Developed
		24 Holacracy
	Characteristics of Framework	25 Commander
		26 Tension-Driven
		27 Circles
		28 Roles
		29 Humanized
		30 Software
The Retrospective of the Transformation into Self-Managed Organization	Result of Transformation	31 Satisfied
		32 Doubt
	Improvement of Transformation	33 Salary - Determination
		34 Training
		35 Start
		36 Change Management
		37 Rejection
		38 Expectation

Table 9 – Code development – Research Questions, Themes and Subthemes

4.3 Research Questions

In the following section, the researcher will answer the research questions and discuss the outcome of coding the narrations. The section is structured according to the research questions, themes, and subthemes, as well as the discussion afterwards. While the research aims to investigate how German owner-led SMEs have successfully transitioned from conventional hierarchical structures to self-managed organisational models, the research questions have been phrased as follows.

Research Question 1: What is the rationale of German business owners to transform their business into a self-managed organisation?

Research Question 2: How did German owner-led small and medium organizations plan and manage the transformation into self-managed organisations?

Research Question 3: What are the characteristics of the SMO framework after the transformation has been finalized?

Research Question 4: How would the German owner-led small and medium organisation do something different in the retrospective of the transformation into self-managed organisations?

4.3.1 *The Rationale of German Business Owners to Transform Their Business to a Self-Managed Organisation*

In this section, the first research question shall be answered by highlighting the rationale SME owners follow when introducing an SMO into their business. The section is structured according to Table 9, with themes influence, philosophy, and goal, as well as the corresponding subthemes 1 to 11.

4.3.1.1 Influence on Transformation Decision

With the theme influence, effects, which result in a motivation for change or affect the business owner's decision, are clustered. The subthemes 1 to 5, Structure and Experience indicate learned or existing framework; the code Literature and External Influence refer to outside knowledge or pressure, whereas the code Internal Influence shows company-internal drivers.

4.3.1.1.1 *Structure*

Many businesses had little or no structure, and therefore, there was a need to introduce some kind of framework to become more structured, which resulted in choosing the SMO over another management system. The reasons for that were mainly because of their personal philosophy (6.3.1.2.1)

“it was clear to me that I needed some kind of structure” [Narrator 1]

“from my experience, there were major inefficiencies and great dissatisfaction. I didn't want either of those things” [Narrator 2]

“So that classical, hierarchically organized company, we never had that” [Narrator 3]

“But as I said, with 500 people, it's impossible without structure” [Narrator 6]

4.3.1.1.2 *Literature*

All narrators were triggered by various literature, the majority by Laloux's book *Reinventing Organizations*.

“I then read *Reinventing Organizations* by Laloux and then immersed myself” [Narrator 1]

“And then a friend gave me the book *Reinventing Organizations*” [Narrator 2]

“And that's when I started reading Frédéric Laloux” [Narrator 3]

“And during this time, I came across Frederic Laloux. It's a beautiful book” [Narrator 7]

4.3.1.1.3 *External Influence*

Few external influences arose from positive examples in the business network of the owners or persons who share ideas about SMOs. At one business, narrator 4, the CEO came from another business already applying Holacracy.

“I then saw that this is not a fantasy, but that there are companies from the Microsoft ecosystem, other partners, who are obviously already living this” [Narrator 1]

“Then one evening we were in a bar and met a consultant [...] and then this process came and we then started with this consultation”

[Narrator 4]

“also worked in a company that was organized Holagratic” [Narrator 4]

“And he had just given a lecture on Holacracy at the Cyberforum about his experiences, even though he was already out of the campaign.”

[Narrator 3]

4.3.1.1.4 *Internal Influence*

An internal influence was the already usage of agile methods, which positively affected the business and led to the SMO. This was the case in one company that was a software-related business.

“there was this initial spark in software development, i.e., from the project business, to engage with agile methods” [Narrator 6]

4.3.1.1.5 *Experience*

An influence was the experience the owners had with the management frameworks. Either they had a negative influence on the classical hierarchy, as narrator 2 or no experience at all, and had to choose one framework as narrator 6.

So, from my experience, there were major inefficiencies and great dissatisfaction. I didn't want either of those things, so I changed them.

[Narrator 2]

“My brother was 17 when he founded the company. We were relatively young and didn't have much previous experience in running a business.” [Narrator 6]

4.3.1.2 *Philosophy Behind Transformation Decision*

The theme philosophy aims to consolidate subthemes that express the values and beliefs that business owners follow. The subthemes 6 to 8 include Personal Philosophy and Work Philosophy, which explain internal convictions, and Initiator, which suggests a person whose values likely influenced others to act.

4.3.1.2.1 *Personal Philosophy*

Almost all narrators shared their personal philosophy, preferring an SMO over another framework during the interview.

“Okay, self-organization somehow provides answers that were more plausible to me than a classic organizational structure” [Narrator 1]

“And I believe that you get the most out of people for the company, while at the same time achieving the highest level of satisfaction, if you give them greater autonomy” [Narrator 2]

“The basic principles that problems are best solved where they arise are the same everywhere” [Narrator 3]

“Okay, self-organization somehow provides answers that were more plausible to me than a classic organizational structure” [Narrator 4]

“It was somehow also clear that we needed a system that would move away from the big boss at the top who gives instructions to those below and instead put the individual employees in the foreground” [Narrator 5]

“Let's talk to them about solutions instead of just acting from above, so to speak.

And I think it's a bit of a question of personality that we said, okay, let's decide together with others, not alone” [Narrator 6]

4.3.1.2.2 *Work Philosophy*

In contrast to personal philosophy, there are work-related values. One narrator said that one of his reasons for the transformation was that he wanted to stop working operationally, whereas another one stated that they did not want to work in the company but on the company,

“I also made it transparent that my goal is to leave all operational roles by the end of 2025” [Narrator 1]

“So working on the company instead of working in the company, at least as a target image” [Narrator 5]

4.3.1.2.3 *Initiator*

An important step in a transformation is initiating the process itself, as without this, no process would start. In all cases, the owner was the driving force behind the transformation.

“In 2017, when we were eleven or twelve employees, I started a process, a goal-setting process” [Narrator 1]

“And then I thought, okay, that's how I want to do it, that sounds very coherent to me” [Narrator 2]

“The very first thing I did was think about what sociocracy is, then I read about Holacracy” [Narrator 3]

“So it was of course also because they had already taken me on board with the idea for the holocracy” [Narrator 4]

“My partner and I then decided to pivot hard, as we would say today” [Narrator 5]

“So actually, the entry point was sociocracy. Because this sociocratic circular organization,[...] yes, that looked appealing to us.” [Narrator 6]

“and then we started with an initial structure, which I then specified at that time” [Narrator 7]

4.3.1.3 Goal of Transformation

Apart from the influence and the philosophy, businesses had goals on their agenda when introducing the SMO into the company, resulting in the theme Goal, which answers the question of what the business hoped to achieve, while the term Goal reflects the desired future outcomes of the transformation, with subthemes 9 to 10. Improvement and Growth subthemes represent performance-oriented targets, and the subtheme Talent Attraction reflects a strategic HR goal aligned with company values.

4.3.1.3.1 *Improvement*

Most companies were looking to improve their businesses by increasing agility or reducing working in silos by introducing SMO structures.

“The speedboat: agile, adaptable” [Narrator 1]

“We needed new products, we needed better distribution” [Narrator 4]

“There are now three or four teams working on one product. They have zero alignment. How is that supposed to work? They need some kind of coordination unit” [Narrator 6]

“When our production department was only 40 people back then, there were already silos” [Narrator 7]

4.3.1.3.2 *Growth*

Many of them had to introduce a management framework because there was only a little structure, as stated in 6.3.1.1.1, which was not suitable for handling the growth of the company, which led to the introduction of the SMO.

“If we then have 25, 30 employees, then it all just doesn’t work with me as a manager” [Narrator 1]

“And when you grow quickly, people join, [...] and that was the moment when I said [...] this classic management [...] you don’t actually need that” [Narrator 3]

“In 2016 or so, I think we had 108% growth or so in sales [...] so with 30, 40, even 50 people you can still manage it somehow [...] we grew further [...] we were then under 200, around 150, I’d say” [Narrator 5]

“So now there’s more than just the management. But as I said, with 500 people, it’s impossible without structure” [Narrator 6]

4.3.1.3.3 *Talent Attraction*

Three of the seven narrators considered the SMO a better way of attracting talent, especially for younger, well-educated candidates.

“The issue of skilled labor shortages, yes, somehow you have to offer people something different than what they already know” [Narrator 1]

“Most of the younger people, university graduates, were enthusiastic because it captured the spirit of the times” [Narrator 2]

“and we need an organizational form that attracts skilled workers, young skilled workers” [Narrator 4]

4.3.1.4 Discussion of the Rationale of German Business Owners to Transform Their Business to a Self-Managed Organization

Regarding the first research question, Soderquist et al. (1997) identified the main driver for a transformation process in SMEs as external stimuli, especially customer demands and competition. Ates and Bititci (2011) add that the change initiation is mostly reactive

rather than proactive, for example, a customer demanding a management system certification like ISO 9001. This might be valid for a lot of processes but appears not to be true for the process of transformation into an SMO, where the main reason to start a change process was of different reason, like the personal philosophy of the stakeholder in the company, who preferred the SMO over another organizational framework. The philosophy was supported by studying literature such as Laloux' *Reinventing Organizations* (2014) or *The Loop Approach* (Klein et al., 2019).

Subsequently, it was revealed that the researcher's prior assumptions regarding the factors influencing the transformation process in larger entities may also apply to initiating the transformation process in small and medium-sized enterprises (SMEs), such as the velocity of technological advancements and the swift dissemination of information (Lee & Edmondson, 2017), the necessity to align with the knowledge economy and the generation, retention, and distribution of knowledge (Blackler et al., 1993), or the enhancement of employee empowerment and experience (Podolny et al., 2004); however, these factors were not identified as the primary catalysts for the transformation process. Whereas improvements like employee empowerment and increased agility were among the reasons, two other practical motives sparked the transformation even more. One of them was the structure, which was lacking in a proper organisational framework at the outset. This resulted in the owners being required to select a management framework, such as a conventional one, when a management framework was necessary to be implemented due to growth. This led to the next situation, in which some had negative or no experience with a classical management framework, then paired with the personal preferences and positive examples in the business network as external influences of the owners, the SMO was chosen over the classical system.

It was possible to verify the assumption that the initialization of the transformation is not a group activity as it would be in larger firms (Lloyd-Reason & Mughan, 2002) but in the hand of the owner as the driving force behind it. Additionally, it was feasible to confirm the hypothesis that the motivations for a transformation stem from an owner's desire to diminish their operational involvement in the company, which applies to certain firms based on their work philosophy. Lastly, talent attraction was one of the goals the owners had in mind when introducing an SMO, which aligns with the findings by Ardi et al. (2024) that flexibility in working style, time, and place, which can be part of an SMO framework, attract talented individuals.

4.3.2 *Planning and Managing the Transformation into Self-Managed Organizations*

In this section, the answer to the second research question shall be given by investigating the planning and management of the transformation process towards an SMO. The focus has been on how the businesses have initialized and implemented the transformation. The section is structured according to Table 9, with two themes initializing the transformation, which is everything before the process of transformation and transformation, which is process of transformation itself, and subthemes 12 to 21.

4.3.2.1 Initializing of Transformation

The Theme of Initializing of Transformation captures the early-stage actions and decisions that set the transformation in motion, with the term Initializing representing the beginning of a complex change process. The subthemes 12 to 17, Planning and Start stand for the clear initial steps, while Literature, Workshop, and Consensus show preparatory and inclusive measures. Finally, the subtheme Role Definition shows structuring foundational roles at the start.

4.3.2.1.1 *Planning*

None of the businesses utilized a formal planning process but experimented and built an environment where the involved persons created and experienced the transformation process.

“we'll just start now and see what happens, what questions arise”

[Narrator 1]

“and then it was a kind of learning by doing” [Narrator 2]

“and then I said, okay, let's give it a try” [Narrator 3]

“Yes, so we introduced it like this” [Narrator 4]

“It wasn't so structured in the beginning” [Narrator 5]

“and therefore, as I said, there was no rollout plan or anything like that”

[Narrator 6]

“I can remember well that we found a theoretical solution together and that we were all fine with it and then started” [Narrator 7]

4.3.2.1.2 *Literature*

Literature played a role not only in times when the rationale was formed but also in the planning phase of the transformation process. There was one business where the owner bought literature and distributed it to the employees for preparation. Another participant named the lack of literature as being a reason for introducing self-developed structures at the start of the process.

“Then I gave the book to each employee and said, in four weeks let's talk about whether we want to do this here.” [Narrator 2]

“Back then, there was no literature on agile management or anything like that. We developed it all ourselves.” [Narrator 6]

4.3.2.1.3 *Consensus*

Some businesses reached a consensus with employees to introduce the SMO before the transformation process, either by signing a constitution or having everyone agree on the path.

“Okay, everyone agreed that we should try it, then we said, okay, let's do it now.” [Narrator 2]

“we have obtained a commitment from the people, on a very personal basis, first of all” [Narrator 5]

“That is, we asked everyone whether there was anything against us trying Holacracy, and this was unanimously accepted.” [Narrator 7]

4.3.2.1.4 *Workshop*

A clear trend was to start with workshops with the goal of information and training, but also to find consensus with the employees and the definition of the first roles.

“And 2021 was the official starting signal, the journey to the Next Land, a two-day off-site organized with a consulting firm” [Narrator 1]

“In the first workshop we had with her, we spent two days building the organization the way we wanted it to be, that was quite good” [Narrator 2]

“[The coach] joined us for a two or three-day workshop and join us again for the introduction” [Narrator 3]

“and they then did these workshops with us” [Narrator 4]

“We then did two days of Holacracy training and then we actually reached a consensus decision” [Narrator 7]

4.3.2.1.5 *Role Definition*

Two businesses mentioned starting the transformation process by defining and writing down roles.

“And then we started writing down roles.” [Narrator 3]

“That means, okay, we have clearly described the roles” [Narrator 5]

4.3.2.1.6 *Start*

When it comes to the start of the transformation process, two narrators talked about a partial start, with only a fraction of the employees, whereas one narrator (Narrator 4) explained that he had started with all employees but later said he wished to have started partially with a pilot project.

“and so that we can get to know how it actually works, we simply start working together as a transformation team” [Narrator 1]

“We trained them there, 10 or 12 people. For two days” [Narrator 3]

“yes, everyone was there, every production employee, everyone” [Narrator 4]

“so, I would definitely start with a pilot” [Narrator 4]

4.3.2.2 *Transformation Process*

After the transformation process had been initialized, the transformation would start, named with the theme Transformation Process. This theme reflects the ongoing nature of the transformation. The transformation process is used because it describes a dynamic and evolving phase. The subthemes used within this theme 18 to 21, Experiment and Coach, show learning and guidance elements, the subtheme Road-Block indicates challenges, and the subtheme Duration highlights time commitment and perseverance for the transformation process.

4.3.2.2.1 *Experiment*

Instead of utilizing a pilot project, two of the narrators initialized experimental situations, for example, with the introduction of unlimited vacation and with the aim that if this did not prove to be successful, a rollback would be conducted into the regular vacation situation.

“and then one of the experiments was our trust vacation, i.e., unlimited vacation” [Narrator 5]

“then we introduced our Agile Org process, as we called it back then. It was somewhat based on Scrum” [Narrator 6]

4.3.2.2.2 *Coach*

All businesses introduced a coach or consultant sooner or later during the transformation process. Three did this right from the start [Narrator 1, 4 and 7], two during the transformation when recognized that the process became slower [Narrator 5 and 6], and two after facing road challenges [Narrator 2 and 3].

“and then with external support we hired a coach who had already accompanied a client” [Narrator 1]

“then at some point we came to a standstill [...] then we got external coaching and then we started to introduce the principles of circle orientation” [Narrator 2]

“and then we quickly realized that we also needed support from outside [...] Who is the perfect consultant? And we hired him” [Narrator 3]

“We brought in two consultants who have a small consulting firm” [Narrator 4]

“we had a communications coach and leadership coach who has been supporting us for about a year and a half” [Narrator 5]

“And then we looked into it a bit, asked around a bit and then looked for an external consultant” [Narrator 6]

“We then brought in our external help, which means a management consultancy” [Narrator 7]

4.3.2.2.3 *Road-Block*

Two narrators reported that they thought introducing an SMO without a coach would be easier and faced a standstill before they hired a coach.

“Then at some point we came to a standstill, then we got coaching”
[Narrator 2]

“And then we started writing down roles and quickly realized that we also needed external support.” [Narrator 3]

4.3.2.2.4 *Duration*

In terms of the duration of the transformation process, most businesses need 5 to 6 years to be at a stage they consider transformed. Narrator 1 mentioned that he would also hear that duration from others.

“What I hear again and again and I would agree with that, the transformation takes five years” [Narrator 1]

“Well, the company has been around since 2001 and a few years ago, I would say roughly six” [Narrator 3]

“We then introduced the first Tactical Meetings in September 2019, [...] and then officially started the rollout (until Jan 2025)” [Narrator 4]

“That was around 2018, it started (until Jan 2025)” [Narrator 5]

4.3.2.3 Discussion of the Planning and Managing the Transformation into Self-Managed Organizations

When it comes to planning the transformation process, Susman et al. (2006) is right that change management processes in SMEs are mostly unsystematic, and critical steps are often omitted, as this has been determined during the interviews. However, changing from one management model into another can represent competing narratives that introduce ambiguity and novelty and destabilize existing organizational routines (Graetz & Smith Aaron, 2010). It would be necessary to make a plan with specific management tools and techniques to control the change process (Lauer, 2020), but the interviewees did not. This was not because change management tools are complex or the stakeholders have no education in those tools, but a desired

position, which leads to the situation that the SMO can grow organically within the business and especially lead to a consensus with the employees about the necessity of the transformation. The interviewees have expressed the belief that a culture or an attitude needs to develop and can only develop if one makes mistakes and that you only learn some things when you experience them. But even though there was no planning, it seems that the natural way of introducing an SMO is to start with workshops, which involve a lot of employees directly from the start, foster an alignment with all, and provide a platform to train the employees in the new framework.

Literature did not play a role in developing a personal philosophy, but it did in the transformation phase, where one narrator bought books for the employees as preparation, and another argued that due to limited literature, they had to develop the transformation themselves. After all, existing literature led to a similar understanding of an SMO, in contrast to the assumption that fragmented research in this area would lead to a different understanding of an SMO (Khoury et al., 2024) and, with that to a self-constructed transformation process.

Further, the assumption that due to limited financial and human resources for generating and implementing new ideas (Susman et al., 2006) and with the expectation that in the absence of those financial resources, specialized coaches and consultants will not be hired, and owner-managers design the transformation process to their best knowledge cannot be proven correct. Instead, all the narrators have used coaches at a certain point during the transformation. Those who started with coaches from the beginning started with a workshop initiated by coaches as a measure of alignment and training. Two narrators reported that they hired coaches after they faced a roadblock in the transformation process. This leads to the assumption that coaches play an important role in the transformation process. Two organizations started the journey with the description of roles for the new organizational framework, which goes along with the writing in *The Loop Approach* (Klein et al., 2019) that the role definition acts as the transition from the classical hierarchical system into the SMO.

In terms of the start of the transformation process, the approach was not unique between the narrators. Most started with a pilot project involving a certain number of employees; others started with the whole crew. Another narrator started by introducing experiments like unlimited vacation. The best practice seems to be to start with pilots since the narrator of the business, which started with the entire workforce, said in retrospect that he wishes to have started with pilots instead.

Regarding the transformation duration, a clear figure has not been found in the literature, but rather vague estimations stating a timespan from several months to a few years (Simunek, 2024). This research revealed now that most transformations took between 5 and 6 years from the beginning to a state where the organization can be considered self-managed. Even though the number of interviews was limited to seven, this figure seems to be realistic.

4.3.3 *Characteristics of the SMO-Framework after the Transformation has been finalized*

The answer to the third research question will be investigated in this section and is centred around the characteristics of the introduced framework after the transformation has been concluded. This includes the framework and characteristics of the theme and the corresponding subthemes 22 to 30.

4.3.3.1 Organizational Framework

The theme Framework refers to the organizational structure or model chosen or developed post-transformation. The subthemes 22 to 24, Holacracy-Like, Self-Developed, and Holacracy reflect different types or derivations of self-management systems that businesses have introduced. Most companies named Holacracy as a plot they used for the transformation, whereas the four businesses which named their framework mainly self-developed still use elements like roles and circles as they are used in holacratic and other frameworks (Narrator 2, 4, 5 and 6).

4.3.3.1.1 *Holacracy-Like*

One business owner mentioned introducing an SMO that is very close to Holacracy.

“We have found that we actually have 90 percent coverage, as defined in Holacracy” [Narrator 1]

4.3.3.1.2 *Self-Developed*

The majority stated that they had introduced a self-developed SMO that sometimes includes parts of New Work or agile methods deriving from software development.

“Well, I would say we had, but when it comes to these categories, [...] I would tend to say it is most likely in the direction of New Work with agile elements” [Narrator 2]

“We have noticed that it works well for us when we combine different methods from different New Work elements” [Narrator 4]

“No, we don't have a playbook that we can apply and overlay right now. Instead, we gather information, look at what might suit us... and test it as part of these experiments” [Narrator 5]

“That's why I wouldn't say that this is, I don't know, a blueprint that I would make, but rather it has developed from the Scrum teams with the lateral leadership roles towards collegial circle organizations” [Narrator 6]

4.3.3.1.3 *Holacracy*

Actually, two of the narrators mentioned introducing Holacracy.

“It is actually like Holacracy because it is actually very well thought out” [Narrator 7]

“The (Holacracy) Constitution is what the Constitution is, and we have not changed the rules” [Narrator 3]

4.3.3.2 Characteristics of Framework

Characteristics are most important when they differ from a specific framework like Holacracy. On the other hand, it is also important when businesses name their framework Holacracy but introduce additional processes, such as narrator three, to show how they finally look (as in the subtheme Commander). Therefore, this Theme dives into the defining traits or features of the SMO system after implementation. The term Characteristics has been chosen because it describes how the framework operates, not what it is. The subthemes 25 to 30, Commander, Tension-Driven, Circles, and Roles highlight process mechanisms, while the subtheme Humanized indicates design considerations, and the subtheme Software indicates tool considerations.

4.3.3.2.1 *Commander*

Even though the SMO framework was in place, two business owners kept a track open as a chain of command to change processes or governance issues if they thought it necessary to act as a commander. Narrator 6 explicitly describes how he intervenes when he believes that the system could run better based on his personal beliefs.

“My job is to constantly beat the creeping bureaucratization out of the company and to draw attention” [Narrator 3]

“For example, the last intervention wasn't that long ago. My partner said, there's a marketing team here that doesn't work well” [Narrator 6]

4.3.3.2.2 *Tension-Driven*

Holacracy-like frameworks work tension-driven, which means that whenever tension is recognized, it has to be solved to improve processes because tensions arise wherever a system has a discrepancy between how a process should be and actually is. Narrator 5, with a self-developed framework, names it no-pain policy but still is similar to a tension-driven system.

“I would say that we are a self-organized company that works in a tension-based and role-based manner within a circular structure” [Narrator 1]

Our most important guiding principle is the no-pain policy. This simply states that everyone can, in principle, take any degree of freedom when it comes to working hours, work location, vacation, whatever, as long as no pain is caused. [Narrator 5]

It's actually like Holacracy because it is actually very well thought out. [Narrator 7]

4.3.3.2.3 *Circles*

As for tension-driven, the same is valid for circles. Holacratic systems structure the business in circles rather than in hierarchical levels. All businesses had introduced a structure in the form of circles.

“We all work together in this circle” [Narrator 1]

“then there are steering circles [...] support circles such as sales, marketing, administration, IT [...] and then there are the value creation circles” [Narrator 2]

“And the circles are basically the bracket where people meet to discuss a topic” [Narrator 3]

“But in our case, the Circle Lead is now also there to conduct feedback discussions.” [Narrator 4]

“There is a pay panel, which is a committee of five or six people who have different roles in the company.” [Narrator 5]

“And there are in each circle, [...] it depends, four to seven people in it, who then come together from the different units” [Narrator 6]

“Does this person tell me what to do, or does my Lead Link, or my Circle Lead, tell me what to do” [Narrator 7]

4.3.3.2.4 *Roles*

The same is true for circles and tension-driven roles: Holacracy-like frameworks utilize them. Even though not all narrators mentioned them, the majority did state that this is an essential part of their framework.

“we said, okay, we want to empower everyone to bring in their own roles.” [Narrator 1]

“No matter where, it's about role clarity. So I said, okay, greatest common denominator, role clarity, so we need to clarify what roles there actually are, let's write them down.” [Narrator 3]

“And the system of roles in particular made a lot of sense to us.” [Narrator 4]

“That means, okay, we have clearly described the roles” [Narrator 5]
that in a Holacracy role you do not just do what is written on the role, but must or should do everything to fulfill the organizational purpose” [Narrator 7]

4.3.3.2.5 *Humanized*

Two businesses mentioned the missing focus of the holacratic framework on human relationships. One of the businesses introduced a relationship space, whereas the other one only mentioned that there was a missing piece.

“The relationship space is essential. And tension-based work is actually NVC (non-violent communication), namely formulating a request based on an observation about a feeling, about an unmet need.” [Narrator 1]

“How do you reach agreements between people, that is, from person to person and not from [...] role to role? That was an issue for us back then that hasn't been fully resolved. I even believe it still hasn't been fully resolved.” [Narrator 7]

4.3.3.2.6 *Software*

Holacracy.org designed software with the name Glassfrog to support the holacratic framework, which was used by one narrator who changed to Holaspirit, another software suite renamed meanwhile to talkspirit (talkspirit.com). In total, three narrators mentioned using software.

“Right from the start, we introduced Holaspirit, which is like GlassFrog, which comes from the Holacracy world, into the tool.” [Narrator 1]

“And then I created a free account with Holaspirit because it didn't cost anything or 5 euros a month or something like that for one.” [Narrator 3]

“Holaspirit, we used to have GlassFrog and now we have been using Holaspirit for at least two years.” [Narrator 4]

4.3.3.3 Discussion of Characteristics of the SMO-Framework after the Transformation has been finalized

Schell and Bischof's (2022) empirical study on SMOs, in which they describe five companies, was limited to Holacracy, with three in the size of an SME. This research aims to empirically investigate SMEs detached from a certain framework such as Holacracy or any other. Nevertheless, all of the interviewed businesses had a framework in place that was very close to Holacracy. Popular literature like *Reinventing Organizations* (Laloux, 2014) seems to have created a path toward Holacratic organizations. New literature like *The Loop Approach* (Klein et al., 2019) aims to develop Holacracy further; for example, introducing a space for human relations promotes the introduction of a Holacracy-like framework even more.

Still, only one business claims to have introduced a 100% Holacracy framework, one a Holocracy-Like one, and five states to have introduced only a self-development framework, with elements they deem helpful for the organization. This aligns partly with the researcher's assumption that the business owners would construct the final management framework according to their interpretation of an SMO. On the contrary, the businesses that claim to have introduced a self-developed framework introduced roles, circles, and tension-driven work patterns, which are known in holacratic systems.

Even though the goal of the business owners is to maintain a working SMO, two business owners implied still have a side path as a commander where the owner intervenes when processes seem not to work as they should or could. This goes well with the assumption that SMO's can be improved for certain circumstances by combining the SMO and a hierarchical model in a hybrid framework (Butsch et al., 2025). Almost half of the narrators expressed that they used software to support the organizational framework, which seems to be a part of the successful introduction of an SMO.

Two businesses criticized Holacracy as not being humanized enough by not providing space or room for human relations or interactions, which have now been worked lightly into the Holacracy 5.0 constitution (Holacracy.org, 2025). In the end, it has been stated by the business owners that they have reached a level they consider an SMO but also that a transformation never ends because the world around us continuously changes, and a business has, therefore, to change, too.

4.3.4 *The Retrospective of the Transformation into Self-Managed Organization*

In this section, the answer to the fourth research question shall be given by exploring if the business owners are satisfied with the outcome of the transformation – theme result – and how they have experienced the transformation process and if there were things they would do different if they had the chance to do it again – theme improvement. The themes are supported by subthemes 31 to 28.

4.3.4.1 Result of Transformation

This theme captures the emotional and evaluative outcomes from the participant's point of view. The result is a broad but suitable theme because it encompasses the subjective judgments made after the process. The subthemes Satisfied (no. 31) reflects general satisfaction with the outcome of the transformation, but Doubt (no. 32) should reflect a range of dissatisfaction post-transformation.

4.3.4.1.1 *Satisfied*

In retrospect, narrators did not express dissatisfaction with their transformation in the interviews, whereas some even believe that mistakes have to be made to find the destination of a new managerial organization as a collective or a group. It has also been mentioned that even though the transformation has been finalized, there is always room for improvement, and a management framework can never be finished because the world changes, and so does the business setting (narrator 6).

“I believe it's a culture, an attitude, that needs to develop. That can only develop if you make mistakes. I believe you gain nothing if you don't go through those mistakes” [Narrator 1]

“I would say that some things you only learn when you experience them” [Narrator 5]

“We have not arrived at a certain system, but we are still searching and trying to improve things” [Narrator 6]

4.3.4.1.2 *Doubt*

On the other hand, one owner voiced doubts about the effectiveness of the SMO framework and had concerns about its effectiveness. A hierarchical framework would detect earlier when employees don't do the right things or do things they should not have done.

“In a classic hierarchy, it would have been noticed more quickly that someone was just doing nonsense” [Narrator 7]

4.3.4.2 *Improvement of Transformation*

The Improvement theme covers the lessons learned and areas of further development after the transformation process has been finalized. The term Improvement is apt as it refers to what could be enhanced based on the transformation. The subthemes used are 33 to 38, whereas the subthemes Training and Change Management refer to

perceptions, whereas the subthemes Expectation and Rejection shaped post-implementation learning. Some subthemes reflect the perception of only one business, which can be the case because lessons learned may be a personal observation. Still, the researcher deemed it important to mention them separately since even isolated reflections can provide valuable insight into the challenges and opportunities that arise in the aftermath of structural change. These individual perspectives highlight the nuanced reality of transformation and underscore that improvement is not a one-size-fits-all process but a context-sensitive and evolving journey.

4.3.4.2.1 Salary-Determination

One business described that the salary topic should have been handled differently since it was quite exciting to handle it through a consensus process and the possibility that everyone could nominate another person for a pay raise, which ultimately led to some frustrations. It seems to work better when a group of people decide this, detached from the affected employees as narrator 5 did.

Anyone could nominate anyone, and we didn't set any criteria.
Everyone is nice to each other, so they nominated everyone else
[Narrator 2]

There is a pay panel, which is a committee of five or six people who have different roles within the company. There is a managing director, there is a team lead, and there are other different roles [Narrator 5]

4.3.4.2.2 Training

All of the businesses explained that they could have done things differently and maybe would have if they had to do this transformation again. Most businesses would utilize more training at the start of the transformation process.

“Others were chosen as facilitators because they did not understand the importance of facilitating” [Narrator 3]

“I would definitely put more thought into what it actually entails from the beginning, what skills are required, and I would probably spend a bit more time preparing” [Narrator 4]

“for example, we had placed value on having strong team leads earlier [...] actually [...] staffing this level of responsibility of the various tech teams so that they are leaders” [Narrator 5]

“We should have done things differently earlier. Tell the Scrum Master even more, here, you're here, by the way, to make yourself redundant” [Narrator 6]

“I would say one of my biggest realizations was that I probably should have spent more money back then to get more training and get deeper into it” [Narrator 7]

4.3.4.2.3 *Start*

As already stated in 6.3.2.1.6, businesses have chosen a different start. Either a full start with all the workforce involved from the very beginning or a partial start with only a fraction of the workforce or a pilot group. One business mentioned that they had started with all employees and, later in the retrospective, said they should have started with a pilot.

So, I would definitely start with a pilot. I would start in an area. [Narrator 7]

4.3.4.2.4 *Change Management*

Even most business owners explained that it is important rather to deploy an evolving system, like experimental introductions and trials, which leads to errors (6.3.2.1.1), one business explained that they should have used a better change management without having specified exactly how that may look like.

I would definitely put more thought into what it actually entails from the beginning, what skills are required, and I would probably spend a bit more time preparing. [Narrator 4]

4.3.4.2.5 *Rejection*

One business owner reported that he had the feeling that some employees did not understand or even refused the new management system.

There are definitely people who don't understand it, don't want to understand it, reject it, so there is a dialogue about responsibility [Narrator 4]

4.3.4.2.6 *Expectation*

Three owners stated that their expectations had not been met, especially in terms of engagement of the employees, which they said is by far too low, which may indicate that an SMO does not necessarily lead to a higher engagement.

“I had no good recipe for how to deal with it when the performance of individuals is not right [...] I still don't have a solution for that. I find it difficult. There are radical companies that say the bottom 5-10% are laid off every year” [Narrator 2]

“I would say that it is quite demanding, yes, to take responsibility for yourself, for your team and also to practice leadership, I would say” [Narrator 6]

“My perception, my expectation was that 80% of the people would be involved and contribute and now, ... I realized that this was much too high and that in reality it is 5% and not 80% and that is probably still good” [Narrator 7]

4.3.4.3 Discussion of the Retrospective of the Transformation into Self-Managed Organization

When putting light on the reflection of the transformation process, this study cannot compare the findings to the literature because there are very few empirical studies in the SME field, but possibly none in the retrospective of the transformation into an SMO. But in the end, it is the empirical evidence, as this is necessary, to demonstrate business theories through real-world testing (Yin, 2017).

The researcher stated in the conceptual framework that it is not certain if an SMO framework can be sustainably utilized in businesses, especially in SMEs. The interviews show that it can be introduced and sustained, possibly just because it is introduced into an SME and not a large entity, and the owner-managers' personal philosophy stands behind it.

All business owners were satisfied with the outcome of the transformation, stating even though they could have done some things differently in the retrospective, it was good to have gone through some mistakes because this is a form of learning, whereas one

business said that they could have utilized better change management. In contrast, almost half of the owners implied doubt and stated that the SMO did not meet their expectations in terms of an increase in employee engagement. In contrast, two owners even indicated the number of 5 to 10% of employees who are really engaged. One said that in a hierarchical system, it can be determined better if employees are engaged with the wrong work content. This contradicts previous research, where SMOs were found to increase employee engagement (Dobliger, 2022; Morikawa et al., 2024). On the other hand, this may be seen as a confirmation of the statement that not all employees are suitable to serve in an SMO (Dobliger & Class, 2023; Lee & Green, 2022, Butsch & Bell, 2025)

Especially learning was one of the concerns the businesses raised when saying that almost all of them should have invested more in training when starting the transformation. Almost all businesses stated in the retrospective that they would increase the amount of training at the beginning of the transformation phase to create a smoother transition process. Other concerns were more of a very specific nature, for example, that one business should have taken more care of the salary determination, or another one that employees did not understand or rejected the transformation, which could have been solved again through training sessions in the very beginning. The one business that started the transformation process with all the employees mentioned that he would rather start with a fraction of the employees as pilots instead of all.

5. The Business Owner's Stories

5.1 Introduction

In this chapter, the research outcome as stories told by the narrators will be presented. With the restoried interviews, the researcher aims to present the business owners stories and make the coding of the interviews accessible. In total, seven interviews were conducted with stakeholders of German SMEs. All have passed the pre-assessment (see 4.8.3) with a minimum score of 70%, which qualifies their business as self-managed and themselves as narrators. Six of the SMEs are in the service industry, mainly IT, and one also has a small production department (see Table 5). All interviews were conducted via video conference since that was most convenient for the interviewees.

Narrator Number	Business Area	Number of Employees	Years in Business	Founded	SMO-Assesment		Weakest SMO Assesment Part
					Desicion-Making Autonomy	Key Figures Avilability	
1	IT Service	26	> 10	2006	80%	100%	Sanctions and promotions
2	Financial Service	42	> 10	2011	77%	100%	Decide role and function
3	Digital Media	60	> 10	2001	77%	100%	Sanctions and promotions
4	Production and Service	72	> 10	1987	70%	100%	Sanctions and promotions
5	Digital Media	22	> 10	2013	70%	100%	Sanctions and promotions
6	Digital Media, Software	150*	>10	1998	70%	100%	Sanctions and promotions
7	Software and IT	250	>10	1999	80%	90%	Sanctions and promotions

*at the start of the transformation, now 500

Table 5 – Narrators List

All narrators presented their stories without expressing much feeling but in an explanatory and professional manner, still articulating an experience with their own perceptions and personal stories.

5.2 Restoried Narratives

The following texts represent each narrator's story, underpinning original quotes from the interviews in the form of restorying the original interviews. Each story starts with an introduction of the narrator's company and have then been formed around the research questions to make the stories comparable.

The chapters are in order of Table 5 – narrators list, whereas Interview 1 corresponds to narrator number 1, Interview 2 corresponds to narrator number 2, and so forth.

5.2.1 Interview 1: An IT Company

5.2.1.1 Introduction

The company in this interview has provided IT services to small and medium-sized companies for almost two decades. It does not just handle simple support queries or operate individual servers but offers a comprehensive range of services, from consulting and administration to implementing complex cloud solutions. This company sees itself as a full-service provider for customers with typically 10 to 150 employees – in other words, companies that do not have a large IT department but still depend on a professional and modern infrastructure. The company mainly works in Germany but does not set geographical limits when selecting its projects. Instead, it ensures that

customers and projects are a good fit with its principles: enjoying working together, being open to technology partners, and working cooperatively.

Nineteen years have passed since the company was founded, and it has undoubtedly changed. For a long time, it was organized informally, with only one founder and managing director as the formal boss. In recent years, however, the number of employees has risen to 26. The owner and team were confronted with the question of what sustainable growth and a consistent organizational form might look like without slipping into classic hierarchies. This is because a designated 'team lead' or 'head of department' has always been unusual in this company. Instead, they had become accustomed to a relatively flat structure in which everyone worked equally and solved problems. However, as the workforce grew noticeably and new challenges arose, it became clear that a more precise form of coordination was needed that would also preserve open interaction.

In the interview, the founder explains how he came across new methods that emphasized self-organization and team autonomy by chance through workshops and books such as 'Reinventing Organizations' or concepts like Holacracy. At the same time, he discovered that such models offered him much more than just a little project organization; instead, it was a vision that could make a company resilient, adaptable, and independent of individuals. After initial encounters with agile working methods in 2019, a comprehensive transformation occurred between 2021 and 2023: from a purely intuitively managed structure to an organization where roles, circles, tension-based meetings, relationship work, and team coaching are firmly anchored.

5.2.1.2 Rationale for transformation

The interview passages clearly show that the company had hardly any hierarchy until the mid-2010s. For almost 15 years, the founder was the only formal superior, and in everyday life, this structure worked surprisingly well because the team was small, and everyone did what needed to be done. However, this model could not be scaled arbitrarily.

“If we then have 25 or 30 employees, it won't work if I'm the only manager. I realized that it has already its limits when I had 12 employees.”

When the company grew to 20 employees, the founder realized that many decisions were left to him and that some processes were repeated: customer inquiries, new projects, the introduction of cloud solutions, or even the onboarding of new employees led to bottlenecks because everyone was waiting for his approval or coordination.

At the same time, he observed that the typical solutions adopted by other companies – such as introducing permanent team leaders or creating a traditional hierarchy – did not fit with his philosophy.

The company wanted to design customer projects flexibly, remain a 'speedboat,' and consciously avoid transforming into a cumbersome large corporation.

“The speedboat: agile, adaptable, but still a size to provide our services professionally.”

Above all, the founder wanted to give his employees freedom. However, he realized that a system based purely on voluntary action and unclear responsibilities would eventually lead to a situation where no one would know who was responsible for what. Another motivation was added as the founder wanted to set up his company long-term to function without his permanent operational presence.

“What is perhaps also important to mention is that in 2023, at the first offsite, where we also went into the sub-circles, so to speak, I also made it clear that my goal is to step down from all operational roles by the end of 2025.”

Instead of having to hire an external managing director in the distant future, who might once again centralize everything, he wanted a system in which power was more evenly distributed. If he wants to withdraw one day or only work strategically, the company should continue to run smoothly – supported by people who act independently and work together towards common goals.

At the same time, he contacted other IT companies that had already introduced agile methods, such as Scrum or principles of sociocracy. He was particularly fascinated by the reports of companies in his partner network (mainly Microsoft-related) that were

very successful and thought differently simultaneously. They relied on self-organization without chaos breaking out. These companies appeared dynamic and customer-oriented, and they attracted skilled employees because of their unconventional working conditions. The founder saw a role model in these organizations, which were economically strong and lived with the idea of autonomous work as the core of their culture.

“In 2019, I took part in a workshop at Microsoft. It was about agile working, and a new world opened up for me over the two days.”

For him, self-organization is also a response to the rapidly changing demands of the technology market. Software and services that are up-to-date today may be obsolete tomorrow. In order to react quickly to such changes, there is no need for a strict organizational chart, but rather for employees who act flexibly in circles and take responsibility. All these aspects – the desire for more independence from himself, the urge for lasting flexibility, the commitment to growth towards 25 to 30 employees without traditional management roles, and the role models from the Microsoft environment – culminated in the conviction: We must reorganize ourselves. However, he knew this would not be an easy process and that he would have to inspire the team as much as he could.

“But there was a lot of pressure and pain because it was simply no longer working with just 16 employees and me. So it was clear that we had to do something in terms of leadership, distributed responsibility, and teams, and for the organisation it was attractive, so to speak, not to introduce a hierarchy but to go into self-organization.”

5.2.1.3 Planning and Execution of the Transformation

In 2019, the founder began to study agile working methods and Frederic Laloux's ideas in depth. Initially, this was a personal learning journey. He acquired the basics, for example, on Holacracy, Sociocracy, and the so-called Loop Approach, in workshops, books, and discussions. He realized that although many of these models differ in their implementation, they agree on one point: they emphasize the distribution of

responsibility and the creation of clear roles so that employees can make decisions themselves without asking a manager every time.

“Then I read Reinventing Organizations by Laloux, and then I immersed myself in Self-organization needs leadership, so relatively quickly I was somehow hooked by two or three books, and it was clear to me that this was actually what would solve my problems.”

After learning about all these concepts, it was still clear that he could not implement a transformation independently. So, in the summer of 2021, he initiated a kick-off offsite with all employees. He brought external coaches who gently introduced the team to central ideas such as tension-based work, roles instead of job descriptions, and autonomous circles. At the same time, he formed a transformation team, a group of six volunteers from different areas who were particularly interested in the topic. This team was to lay the foundation for the changeover together with the external consultants.

"2021 was the official launch, the journey to the Next Land, a two-day off-site organized with Consultant 1, a consulting firm [...] introducing self-organization, Holacracy in large companies."

The transformation team worked for a while as a pilot project. Instead of overwhelming the entire company, the small group practiced the methods that were later to be applied throughout the company in their regular meetings: They used a digital tool called Holaspirit to coordinate roles and meetings, experimented with governance meetings in which they worked together to fine-tune the organizational structure, and introduced the concept of tension. The latter means that a problem, an observation, or a desire for change in the company is identified as tension, which must be resolved in a formalized process.

Initially, they had no firm intention of introducing Holacracy as a whole. They wanted to explore the basic principles of self-organization and design a model that suited their company. However, the work presented them with a challenge: how to structure all roles, meetings, and decision-making processes step by step? A certain amount of

confusion arose here. Some in the transformation team wanted more guidelines, while others feared slipping into a rigid system.

"We wanted to create our own operating system [...]. But it was too big, and we had too little structure, somehow.

[...] And with the others, it was like: well, they also do day-to-day business – but no one had a concrete idea of how it would work.

There were also very few who really delved into it that deeply. It was like: Come on, let's get involved somehow."

Only after the arrival of two new employees, who possessed prior experience with Holacracy at their former organisation, was the proposal made: Why not utilise the Holacracy constitution as a framework?

In February 2022, the team determined that Holacracy would provide a solid foundation from which to work. While they did not sign a formal constitution, as is common in some companies, and reserved the right to do things differently, they adopted core ideas such as circles, roles, tactical meetings (for operational coordination), and governance meetings (for further developing the structure). At the same time, the founder was aware that Holacracy never claims to regulate the 'relationship space' or the 'individual space' of employees. So, additional cultural work, coaching, mediation, and communication exercises were needed to cover the human side.

"It was clear to me that there are four areas of action [...]. I've heard time and again that the problem is the relationship space. And it's not enough to introduce Holacracy, because Holacracy simply has answers for the operational space and the control space. Above all, it needs the relationship space."

The company, therefore, invited a coach who worked continuously with the founder, the transformation team, and later with the whole team over many months. She introduced methods from non-violent communication (NVC) and showed how to deal with conflicts so that no one retreats into the old 'boss decides everything' way of thinking. The company held multiple offsite meetings in which the new principles were explored in greater depth, and the staff could exchange ideas. During this time, a lot

of the focus was on defining roles: What tasks are there in the area of support? Who will take on the role of customer communication? Who will take care of internal knowledge transfer? Such roles were visualized in the Holaspirit tool so that everyone could see who had which area of responsibility.

Another stage followed when, after about a year, the decision was made to no longer work with just one large circle, in which, in the end, many things ended up coming together with the founder, but to divide into different sub-circles. These are called, for example, Customer Service Circle or Smooth Operations Circle. Each subunit has a person who acts as a circle lead, not as a classic boss, but as a moderator and coordinator. In the first year uncertainty and even resignations arose from the selection of circle leads because some felt that leadership in self-organization is more demanding than it appears from the outside. Ultimately, however, a system was created in which several circles operate independently, coordinate with each other in tactical meetings, and consult only the top circle or the founder on significant governance issues.

"So, we continued in 2023. So, basically, for the first time, we had distributed leadership. Before, everything went through me, and then, for the first time, we had distributed leadership and sub-committees with all the challenges that come with it."

5.2.1.4 Characteristics of the Framework After Transformation

Although the transformation was never officially declared completed – the founder says we are never done – a recognizable organizational structure has been established. The central feature is the separation between people and their roles: no one is defined by a job title, such as an IT consultant or sales manager. Instead, the company uses software (Holaspirit) to list all the roles necessary for operations. A person can hold several roles at the same time, for example, the role of 'customer acquisition' and the role of 'technical support administrator.' Each role has a defined purpose and clearly outlined responsibilities. Those who occupy a role make autonomous decisions within this framework.

Decisions concerning structure or cooperation are made in so-called governance meetings. Anyone can introduce tension there: for example, we need a new role for

project controlling because nobody is taking care of it. The procedure for discussing and deciding proposals follows a set sequence from Holacracy or a modified form. This creates a certain formality to help prevent the team from descending into endless debates. It is important to the founder that every person has the right to initiate changes – unlike traditional companies, where new roles are often only introduced from above.

“We work tension-based – that is, each person can bring tension.” [and a change with this]

Operational topics, like day-to-day business, are discussed in tactical meetings (often weekly). These meetings are used to clarify, for example, how to respond to a customer request, who has bottlenecks in support, or which tasks should be prioritized. The circle Leads moderate these meetings and ensure that the group does not descend into chaos by discussing everything at once. However, they have no formal authority. Instead, the aim is for the group to identify the next steps that make sense. Those who have a role can decide for themselves how they fulfil that role.

“Anyone who has a role can decide for themselves how to fulfil that role.”

Another important feature is the sub-circles, which are thematically aligned. A customer service circle brings together everyone who works on customer projects. A smooth operations circle supports the others with internal services such as billing or documentation. There is also a top circle in which strategic questions and overarching topics such as 'Which new technologies do we want to prioritize?' are discussed. The founder is also a member of this circle but is not automatically the one who decides everything.

The founder also emphasizes the cultural component: since self-organization only works if people actively contribute their tensions, conflicts, and ideas, the company values trust, openness, and regular team meetings. There are several offsites every year: a summer and a winter event where the entire company comes together, and in between, circle meetings or smaller seminars on communication and conflict resolution. Those who initially thought self-organization meant freedom quickly realized everyone must take responsibility. Professional and personal development

are intertwined because employees have to lead themselves instead of waiting for instructions 'from above'.

“Self-organization does not mean that you organize yourself, but that you work together in a self-organized way [...] The prerequisite is that the participants in the organization are able to lead themselves.”

One last key feature concerns the role of the founder. His goal is to no longer play an operational role by the end of 2025 so that the company can do without him as a bottleneck. He does not want to go the typical route of appointing someone as managing director who then embodies another small hierarchical level. Instead, the company should mature into a formation in which management tasks are distributed across several levels. He knows that this idea takes time and is not without friction.

“Some things I just have to endure; they just have to happen. There have to be blows, there have to be escalations.”

Nevertheless, he sees this as the decisive advantage: everyone is empowered to make important decisions, which makes the company particularly flexible and adaptable.

5.2.1.5 Reflections on the transformation process

In retrospect, the founder explains that while he would approach some details differently, he ultimately believes that every organization has to go through its own learning curve. A key point is that self-organization does not simply mean that one implements the operational system (such as Holacracy or Sociocracy), and everything will be fine. The actual core of the transformation lies in the so-called relationship space and the individual space. One must learn to deal with each other at eye level, address conflicts openly, and take responsibility for one's role. Attempts to establish a circular structure often fail because of a lack of this interpersonal level.

"I've heard time and again: The problem is the relationship space. And it's not enough to introduce Holacracy, because Holacracy simply has answers for the operational space and the control space. Above all, it needs the relationship space."

He admits that he initially believed that simply keeping out of things was enough to empower the team. Today, he knows there must be a balance between interference and letting go. As the owner, he had power, and no matter how much he tried to deny it, everyone still saw him as the boss. Sometimes, it would have been more helpful if he had formulated more explicit expectations and provided more direction rather than hoping to remain silent and let the team find its way. In other cases, he should have stepped back earlier to avoid blocking learning processes.

Such fine-tuning requires constant feedback from a coach and other organisation leaders.

"That definitely took a lot of energy from me and the organization. [...]

And the coach helped me time and again [...]."

"I needed someone who would constantly reflect and critically question things."

Another aspect he should have emphasized more is training in dealing with conflict. The company hired coaches relatively early on, who introduced NVC and mediation. However, situations still arose in which tensions remained unclear for too long and only erupted when people were already frustrated. In retrospect, he wishes he had emphasized more strongly that conflicts belong on the surface and should be seen as an opportunity for improvement. Without good relationship work, self-organization remains a dry theory in which roles and circles exist, but collaboration is not harmonious.

"And without good relationships, attitudes, and culture, it remains a structure, but it is not self-organization in the true sense."

Despite these learning curves, the founder would not do anything fundamentally differently because he is convinced that this development cannot be bought or shortened. Every company that strives for true self-organization goes through phases in which things get stuck. It takes at least several years for the new mindset to become deeply ingrained in the culture. He is glad he did not let himself be dissuaded from the vision prematurely. Sometimes, colleagues felt that the whole thing was too complicated or slow. However, he firmly believed that a trust-based form of

collaboration would bring the company more long-term success and sustainability than a quick switch to a classic hierarchy. He also emphasizes that, for him, an essential key to this was obtaining external support.

"I had an appointment with her [the coach] every week, at least once a week. Above all, she was also a coach for me, because I'm in a key position there [...] I simply needed someone who would reflect and critically question things."

He had weekly discussions with his coach, who helped him reflect on his role. At the same time, he was careful to ensure they were not applying them dogmatically while using Holacracy methods. In 2023, the idea of dropping or renaming the Holacracy label was considered. The founder felt it suggested to the team that it was a ready-made, purely technical system. However, in reality, the company needed its own operating system, which was inspired by Holacracy but also included relational space and emphasized the human dimension.

"[...] because in the end, in one it's Holacracy, in another it's sociocracy, in the third it's the Loop Approach [...] and in the end it's about having clear responsibilities [...] and then you need clarity – that has to do with culture and attitude, how you approach relationships [...] and I would say we are a self-organized company that works in a tension-based and role-based circular structure."

This step cannot be mastered overnight either and will undoubtedly lead to new discussions and friction. He concludes that the transformation to a self-managed organization is an iterative process that takes several years. Some mistakes can be avoided by paying attention to the relationship space early on, establishing fixed coaching structures, and creating clear roles. However, it remains a challenging journey that requires a lot of patience. Ultimately, the efforts are worthwhile if the result is an organization where people enjoy working because they feel they have a real say. The company can react flexibly to market changes. Especially given the shortage of skilled workers and the fast-paced demands of the IT industry, self-organization is proving to be an attractive model. However, no company should expect it to function

smoothly after a few months. One must learn to love conflicts and use misunderstandings as an impetus for change.

"I think the transformation will take five years. [...] You can't command it. You can't buy it [...] I think you have to give yourself five years [...] It's hard work and reflection, sense and response, and loving conflict."

5.2.1.6 Summary Interview 1

The company's story described here paints a vivid picture of what it means to build a self-managed organization. The starting point was a young IT company with flat structures, but its growth showed that a conscious clarification of roles and processes was necessary. The founder could have taken the path of a classic hierarchy but consciously decided against it because he wanted to keep the company resilient, customer-centric, and attractive for self-directed professionals. By exploring agile methods, self-organization, and principles such as Holacracy, he found a framework that could help the team to anchor responsibility in circles and to make decisions where the operational knowledge lies.

The planning and implementation phase reflected many challenges: a transformation team with the courage to try new approaches was needed. At the same time, it was necessary to take the whole company with us in workshops and offsites and not give the impression that this was a hobby project of the management. Installing circles and roles proved to be only half the battle since problems usually arose on the human level, i.e., in conflicts, insecurities, or a lack of trust. External coaches and team training sessions helped here. However, it also took patience to allow mistakes to happen. The founder reflects that he was sometimes too impatient or fell back into old patterns when he realized things were not progressing quickly enough.

Despite everything, the impression prevails that the project is a win for the company. According to the founder, employees are more involved, have more influence on the design of their work, and can develop in clearly defined roles. What used to be invisible and informal is now discussed, documented, and further developed in meetings. The goal remains for the founder to be able to withdraw from the day-to-day business in the medium term without the organization losing its ability to act.

Of course, this new system has its costs: it requires a lot of communication, has a specific need for structure, and not every person feels comfortable with autonomy. In the conversation, the founder also mentioned that some employees might fall by the wayside if they do not identify with the principles of self-organization.

“At the beginning of the year, in the top circle among the Circle Leads, we told ourselves: okay, this year we will part ways with four to five employees, because I believe they will realize that it doesn’t fit.”

Here, the company is still clarifying how to deal with those who do not want to adapt to tension-based work or role-centered responsibility. Ultimately, however, this is part of any significant change, and the company is trying to support everyone involved as much as possible.

This example clarifies that self-organization cannot be achieved without a single workshop or one-off project. Instead, it is a maturing process over several years in which structures and cultures must go hand in hand. The company has embarked on this path because it believes it will lead to greater resilience and innovative capacity in the long term. Even if it could have organized some things more efficiently in retrospect, the realization remains that some learning experiences can only be gained in practice. The self-management project is, therefore, not about copying a ready-made recipe but about constant adaptation and learning from mistakes – accompanied by the conviction that an organization like this is much better at adapting to the complex demands of the market and involving its employees on an equal footing.

5.2.2 Interview 2: A Financial Service Company

5.2.2.1 Introduction

The company presented here is a management consultancy specialising in funding and innovation consulting. It offers these services to other companies that want to tap into financing options for new projects. The approach is similar to tax advisors. However, the team does not focus on tax returns but rather on finding suitable funding sources, filling out applications, raising funds and accessing allocated funds. The

portfolio therefore, includes not only classic consulting elements, but also operational service steps that allow customers to concentrate on their core business fully. In this role, the consultants become an extension of the client – they take over the entire bureaucratic side of the funding landscape, leaving entrepreneurs free to promote their own products or services.

What is special about this company is that it has undergone a profound transformation in recent years: from a small and manageable consulting operation with around eight or nine employees to a growing company that at times, developed in the direction of 40 to 45 employees. While this growth spurt enabled new customers and larger order volumes, it also required more coordination and structure. Instead of introducing a conventional hierarchy of department heads, team leaders, and management, the company took a different approach. The founder, who had previously been an employee in various organizations, sought a model to give his people more autonomy and avoid cumbersome decision-making processes.

This was triggered in particular by the experience that decisions in large corporations are sometimes made far away from the place where the action is. The founder recalled that in previous jobs, he never saw people who were nevertheless his superiors, who made decisions without direct exchange, thus causing displeasure and inefficiency. When he set up his consultancy, he knew he wanted to establish a different culture. However, exactly how to run a company “without a boss” remained unclear at first – until a friend gave him a copy of the book “Reinventing Organizations” by Frédéric Laloux.

5.2.2.2 Rationale for transformation

The main reason for the change was the interplay between the founder's personal experiences and the company's growth needs. As a former employee, he had seen how far corporate decisions could be from the actual competencies. He told an impressive story: employees didn't know exactly who their superiors were in a large corporation where he was employed because they had never met them in person. It is conceivable that important issues were decided on at a distant head office without any professional or emotional connection to those affected. Such conditions create inefficiency, demotivation and dissatisfaction. It was clear to the founder that he wanted to run his own company differently.

At the same time, he realized that employees are most productive and develop the greatest satisfaction when they experience a certain degree of autonomy – when they can decide independently about their areas of responsibility and do not constantly have to wait for instructions from a remote manager. It seemed plausible to him that a company benefits more when the people involved know and use their own scope for action instead of constantly seeking the approval of an authority figure.

"[...] you either lead through control or through trust and delegation of responsibility. And I believe that you get the most out of people for the company, while also achieving the highest level of satisfaction, when you give them greater autonomy."

However, although the company started small and allowed for appropriate freedom, the question arose as to what such a culture might look like in concrete terms. Initially, the consultants worked closely together, knew each other and did not need formal hierarchies. But what would happen if the team grew? How could structures be created that are based on trust and responsibility rather than control? This impulse was finally provided by the book "Reinventing Organizations", which presented various examples of self-managed organizations. It included concepts such as the principle of decentralized decision-making or the idea that in modern companies, it is no longer the classic pyramid that sets the direction but rather cooperation at eye level.

"Then a friend gave me the book Reinventing Organizations. And then I thought, okay, that's what I want to do, that sounds very fitting to me."

These insights had a kind of light-bulb moment for the founder: he got everyone on the team a copy of the book and suggested discussing in four weeks whether what they had read could be applied in their own company. This approach makes it clear that it was not enough for him to be convinced of just one idea himself. He wanted the team to follow suit. And indeed, they agreed to test the method – initially for six months. If it worked, they would continue; if not, they could take a step back. At its core was the desire to avoid inefficient, top-down processes and, simultaneously, to create a working atmosphere in which everyone could fully contribute their skills without getting lost in rigid hierarchical levels.

5.2.2.3 Planning and Execution of the Transformation

The actual implementation began quite spontaneously and in small steps. After reading the book, the team abolished the previous leadership roles. Instead of a management of the administration or a formal manager, there should only be a kind of coordinator. At the time, the company was still relatively small (about eight to nine people), so they felt confident about the consequences. They agreed to get together after a few months to see what was going well and where the problems were. This pilot phase went so well that it was extended for another six months.

"[...] we then did something like this, well, first we did it for a few months, three months, then we did it for about half a year, and then another half a year, and then every year we did a review and said, okay, we want to continue with this."

But at the same time, questions arose: How exactly does collective decision-making work when a project needs to be advanced quickly and decisively? In smaller meetings, the principle of consensus or consent worked well, but with each new person, the demands increased. They started forming sub-teams to examine and work on specific areas – such as how to organize the salary process or how to implement a CRM system – without a single project manager to hold the reins. So, at first, it was more of an experimental process, learning by doing, as the narrator called it.

The big step came when the company continued to grow. The company reached its limits when ten, then 15, then 20 people were employed. What initially seemed amicable and manageable threatened to become confusing when the entire staff wanted to vote on every question together. Too many voices, too many ideas, and in the end, efficiency was lost. This is where the company turned to professional support: a coach was hired to define the next organizational steps. This coach drew attention to the principles of the circle organization. In contrast to conventional hierarchies, where there are departments and superiors, steering committees, support committees, and value-added committees should now be set up.

"Then we got external coaching and then we started to introduce the principles of circle orientation, so to speak, with value creation circles, support circles, and so on. [...] Then there are steering circles, so to speak [...] The management was always involved. And then two more people were elected from the team. [...] And then there are the support circles like sales, marketing, administration, IT. [...] And then there are the value creation circles. We had two different types of them: the national consultants and the international consultants."

The steering committees (e.g. HR or finance) dealt with strategic issues such as salary models or budget distribution. In addition to the founder (who was still the owner), two elected team members sat on these committees and helped set the strategic course for one year each. These members were elected by consensus, i.e. not simply by a majority vote but by jointly discussing and dispelling objections and reservations. At the same time, support groups were formed for marketing, IT, and administration to provide operational services for the entire company. In addition, value-added groups were formed for the actual consulting services, such as national and international projects.

What was special about this implementation was that it was not a matter of strictly adopting a prefabricated system such as Holacracy or Sociocracy, but rather a framework called "collegially led companies" (based on the book of the same name).

"We wanted to do it ourselves, that was the basic idea, but we needed a framework. And The Collegially Managed Company [the book] was the framework for us."

This allowed the principles of the circular organization to be interpreted according to one's own requirements. A pyramid was developed in which the owner was still at the top, not to dictate individual questions but to define the strategic direction. Below that were the steering committees, in which strategic decisions were made, and parallel to them were the operational committees that kept the business running. An important point in this process was the realization that the owner's role does not simply disappear despite all the self-management. Rather, it was clearly communicated that there is a difference between the founder as the owner (who ultimately owns the company), his

work as the managing director (who is responsible for the day-to-day business) and possibly other roles such as sales. Although these roles were combined in one person, they could theoretically be distributed if the organization grew or if part of the team wanted to take on a specific management role.

"And that was another process for me, realizing that I was wearing several hats: I'm the owner, I'm a sales person, and I'm the managing director. I wore all three hats, so to speak. [...] And that was important for the employees [...]; you have to differentiate between these three hats. They were all in one person at the time, but that can change."

In this way, the transformation process progressed step by step, accompanied by workshops in which the team used Lego bricks or other methods to illustrate how they wanted to work. The consultant provided the decisive impetus, but it soon became clear that many ideas matured in-house and were best implemented without constant external guidance. Most of the employees were academically educated, had PhD backgrounds and were used to quickly familiarizing themselves with new topics. This allowed them to delve into literature intensively and extract the essential information.

5.2.2.4 Characteristics of the Framework after Transformation

At the end of this process, a much more structured picture emerged than at the beginning. Instead of classic departments, there were various circles. Although the owner retained the ultimate decision-making authority, he defined himself more as part of a circle that had its function reviewed year-to-year.

"Ultimately, it was also important, I think it's also important, that this is communicated: Ultimately, the owner decides what the organizational structure will look like in the future. [...] And then two more people were elected from the team. For a year with elections, there were consensus elections [...]"

Example: The HR steering committee consisted of the founder and two employees dealing with recruiting, salaries, and training issues. This group made decisions on how salary reviews should be conducted or which internal rules should apply. The

finance steering committee addressed strategic budget issues or discussed investment plans.

There was a kind of election process for each steering committee, in which employees determined by consent who would represent them in this committee. The operational work was carried out in the support committees, which functioned like departments without a formal "boss". Everyone knew which committee they were active in and their areas of responsibility. Finally, the value creation circles took care of the consulting business itself – the core business of funding and innovation consulting. Since there were national and international projects, two different groups were formed, each composed according to customer needs.

A special feature was the principle that new roles or areas of responsibility were first defined and tested in the respective circle. The aim was not to create rigid job descriptions but to deal with them dynamically.

"Then the districts first defined their area of responsibility, what they had to do, what they could do, and what they weren't allowed to do. [...] And then it was a learning-by-doing process, so to speak. [...] Then we said, okay, let's do this. First for six months, then for a year [...]"

If someone had new sales ideas, for example, this could be introduced in one of the groups. If the topic was relevant, a role was defined for this task. The role then included the responsibility and power to make decisions independently as long as they did not exceed the group's scope and budget.

The topic of salary was also regulated by self-management. Initially, they tried a purely open procedure: anyone could suggest anyone for a raise. However, this approach reached its limits. To avoid arbitrariness and frustration, they gradually developed criteria catalogues and defined salary bands to which certain areas of responsibility were assigned. At the same time, however, there was still a collaborative process in which employees could propose to each other if there were justifications – for example, additional responsibilities, a growing role portfolio or special technical expertise. The aim was to create transparency in this way. However, a certain learning process was inevitable: there were cases in which individuals forgot to bring themselves up for

discussion and then came away empty-handed. This was recalibrated the following year.

"We had someone who nominated others one year. He firmly assumed someone would nominate him, too. Then no one nominated him. [...] Then there were long faces. These were things that were dramatic for the individual. [...] The next year, it was clear to everyone that he had been nominated several times. It evened out."

Another defining feature of the company was the autonomy it allowed in selecting personnel. New applicants were not cast by the founder alone but were often interviewed by two employees. Afterwards, the candidate could talk to potential colleagues without filters. The idea was to give everyone a realistic picture of the day-to-day work, including the unusual self-management structures. The team wanted to ensure that interested parties knew what they were getting into to avoid disappointment or misunderstandings.

This created a culture in which many younger, university-educated graduates felt very comfortable. They appreciated being actively involved in decisions and not just acting in accordance with instructions. However, this system could also be off-putting for people who relied more heavily on clear guidelines or were less interested in team processes. Some found the constant coordination or the unclear division of responsibilities stressful.

"One or two of them perhaps only had a vocational qualification. [...] That was, of course, a challenge for them. [...] They were also emotionally very upset that everything was now different from what they were used to."

Overall, however, the company observed that most reacted positively when they understood that self-management represents a different way of organizing.

"Most of the younger people, university graduates, were enthusiastic because it kind of captured the zeitgeist. That was rather positive."

5.2.2.5 Reflections on the transformation process

Although the founder is largely satisfied with the way things went, in the interview, he does mention a few points that, in retrospect, he finds difficult or in need of improvement. For example, he mentions that the salary issue was initially handled spontaneously and that people later wished for more clarity.

"The topic of salary was quite exciting. We handled it through a consensus process. There were still some frustrations. [...] Anyone could suggest anything to anyone, and we hadn't set any criteria. People are all nice to each other, so they suggested anything to everyone."

In principle, he likes that the team makes suggestions to each other, but injustices occur without criteria. Ultimately, a catalog was introduced, and reasons had to be given for why a person should move up to a higher salary band. This process remains challenging because even transparency does not always create satisfaction – when someone realizes that others are earning more, it can create frustration. Here, it was important to have open discussions and to repeatedly make clear what the rules were and why they were introduced.

"When someone takes on more responsibilities, we noticed that it becomes a natural fit. Then we introduced salary ranges, which we also discussed with the employees by consensus."

There was also some unfinished business in the area of performance reviews. The founder wondered how to deal with employees who show less initiative, unlike their more productive colleagues. This problem resonates in many self-managed organizations. Traditional companies often rely on targets or KPI systems evaluated at the year's end. In a self-determined structure, however, it is more difficult to address underperforming individuals without undermining the principle of autonomy. One radical solution would be to terminate the contracts of those at the bottom of the performance scale every year, which contradicts the spirit of an organization based on trust. Here, the founder admits that he never found a panacea. Such questions remain partly unresolved.

“I still don't have a solution for that. I find it difficult. There are radical companies that say the bottom 5-10% are laid off every year. You have performance bands, the top performers, the good ones, the ones who aren't performing so well, and every year you let go of those who aren't performing so well. It was actually clear to me that I didn't have a solution. That was a burden on me, too.”

Furthermore, he reports the increasing problem that employees can “hide” when the organization gets bigger. In small teams, every member is present, and it is immediately apparent if someone is not fulfilling their tasks. However, as soon as there are 30, 40 or more people on board, there is a risk that performance deficits will only be noticed later. Although circles try to give each other feedback, individuals may take advantage of the freedom rather than using it productively. In retrospect, the founder would have liked to have had even tighter mechanisms to prevent such evasion without violating the principles of self-organization. He sees a contradiction here: the system should be more open and autonomous, but it must still react to differences in performance.

“What I've noticed, however, is that the larger the organization gets, the easier it is for individuals to hide. There are high performers who do well, and others who do less well. Until the end, I wasn't clear about it, or didn't have a good recipe, for how to deal with it when individuals aren't performing well.”

Despite all these unanswered questions, he would not go back on the path of self-management. He sees the advantages as outweighing the disadvantages. He has observed that the team is more motivated and satisfied with their work, that many decisions are made where the expertise lies, and that the culture of trust and sense of responsibility pays off. They even began to look towards agile methods such as Scrum to more clearly structure project processes.

In the interview, the new culture is compared partly with new work approaches and partly with agile methods. The founder emphasizes that buzzwords like “New Work” or “agility” are not always clearly defined. What is more important to him is that the

company relies on trust and the distribution of responsibility. Some elements in the literature that could be described as “agile” are joint retrospectives and quick decision-making. However, they don't work consistently with Scrum or a specific school of methods; instead, they adapt proven principles to their own needs. He sees this openness to continuous learning and adaptation as the core of continuous transformation.

"I think it's also essential, no matter what type of organization, that you're willing to say, okay, we're developing, we have to change things, and that you don't just stand there and say, yes, that's the way it is now. And there's always the danger that you'll become rigid at some point."

The boss advises larger companies to be aware of the implications of striving for a self-managed organization at an early stage. While a small team can agree and experiment more easily, 80 or 100 employees often require a person to manage change management full-time. With each step of growth, the effort to communicate the new principles to everyone, soften old role models, and plan for possible resistance intensifies. Especially when it comes to industries with more manual or blue-collar work, implementing self-determined structures can be more challenging because these people are more motivated by wages and less by achieving professional self-fulfillment.

Overall, the founder sums up that the transformation process was very hands-on. They avoided using too many external experts because the team had experience in the consulting field and could understand many concepts independently.

"Then we got external coaching and then we started to introduce the principles of circle orientation, so to speak [...]. We were good at adapting things, executing them, and individualizing them for ourselves."

What was needed from the outside was more of an impulse or targeted coaching that introduced new ideas that could then be used for orientation. Ultimately, a restructuring

of this kind is never fully completed. As long as the company exists, there will be an evolution in which old rules are questioned, and new possibilities are tried.

5.2.2.6 Summary Interview 2

The development towards a self-managed organization began with the conviction that there had to be a more efficient, humane alternative to traditional hierarchies. In small steps, the team tested new forms of decision-making, honed them further and further, and sought input from books such as *Reinventing Organizations* or *The Collegially Managed Company*. As the workforce grew, more and more formal aspects were clarified: They set up circles for governance, support, and value creation, as well as defined roles so that not only the founder had to manage everything. The abolition of outdated management structures created space for more autonomy and new challenges in performance assessment and salary determination.

In retrospect, it is clear that such a transformation is not a singular phase but an ongoing process. The team had to learn to address conflicts and tensions openly instead of resolving them in an authoritarian manner. Furthermore, they developed mechanisms to ensure everyone's participation without falling into endless debates.

“Then it was discussed in a circle, but not endlessly. Instead, everyone just said, I suggest this and that, for this and that reason.”

They used consent or consensus procedures, relied on transparency in all matters, and allowed individuals to decide whether to take on more responsibility. Where things went wrong or were chaotic at the beginning, clear rules of the game were gradually established, but they always remained flexible so that they could be developed further when the company grew again, or new challenges arose.

The founder temporarily became the driving force because he favoured the idea of a self-governing organization and felt he had to practice relinquishing some of his power. At the same time, the team needed strong individuals willing to take responsibility for content and did not see this as an unpleasant task. The system as it exists today uses the image of a pyramid made of circles, with the owner still standing in the middle, but at the same time not exercising his power dogmatically. Instead, he supports development, observes, and gives feedback and structures. Everyone agrees that the

company is home to a research-oriented, highly educated team, which probably facilitated the process. A similar approach in other industries and types of companies would likely meet with more resistance.

"I think if the organization is larger, or if the employees are perhaps not as intellectual, you're probably better off with external consultants. [...] If you imagine a company like that, where you have 200 people, there's a certain type of employee. And those are people who are used to having a manager who tells them what to do. [...] I think that's a whole different story."

External consultants can facilitate the start, but the organisation must ultimately carry the change. If people become mere recipients of orders from a consultant, the concept of self-management is once again undermined. Last but not least, it should be noted that while self-managed organizations can generate high satisfaction and performance, they cannot guarantee perfect fairness. Whether it's salary distribution or dealing with below-average performance, questions arise that also exist in a hierarchy but must be addressed differently if there is no formal management level.

In the end, it can be said that this company consistently pursued its initially very intuitive path through book reading, pilot projects, workshops and growth phases while repeatedly orienting itself towards new concepts. The fact that the company ultimately became profitable and attractive to investors is, among other things, due to the founder's decision to better integrate employees rather than demotivating them with rigid structures. For him, a self-managed organization was not just a fad but a sensible consequence of his previous professional experiences, coupled with the conviction that trust, participation and dynamism are ultimately more promising than hierarchical control and formal micropolitics.

5.2.3 Interview 3: A Digital Media Company

5.2.3.1 Introduction

The narrator's company specializes in consulting and implementing websites and online shops. Typically, these are not ordinary homepages but rather extensive and

complex platforms for international corporations, which often require different languages and country versions. In addition, integrations into existing CRM systems are often carried out, and other backend-side processes that require a high level of technological expertise are implemented. In its early days, the company had around 36 to 40 employees, but due to a technological shift - in which the narrator moved from open-source projects to enterprise solutions - the project volume grew significantly. This was associated with a rise in personnel to around 60 employees within a relatively short period. The rapid growth brought opportunities and new customers but also confronted the company with the question of dealing with emerging leadership claims and whether a classic management structure was even suitable for the team.

At this point, the narrator began to look intensively at alternative organizational models. He came across Frederic Laloux's book *Reinventing Organizations* and other publications on sociocracy, holacracy, and new forms of work. He realized that his company had basically functioned in a task-oriented and flat hierarchical way since its early years. However, this working model had never been written, which could lead to disagreements when new employees understood entry-level positions differently and introduced traditional supervisory roles. This contrast between an established but not clearly formulated practice and the classical ideas of new employees made the narrator realize that there was an urgent need to define the principles and structures of his company before misunderstandings and conflicts got out of hand.

5.2.3.2 Rationale for transformation

The narrator's company has existed since 2001 and has developed slowly over the years. In the beginning, growth was cautious: 36 to 40 employees organized themselves in projects without much formal hierarchy. Project managers and programmers worked hand in hand with designers. There was no official title of Head of Development, and the administrative staff were not part of a traditional department headed by a department manager. Much of the company's functioning was intuitive because everyone had worked together for so long. At that point, the narrator says, the company didn't need a sophisticated management system because the team was small enough to coordinate informally and remain efficient.

“We never had the classic, hierarchically organized company. That didn't exist back then. [...] Someone was just doing marketing, so there wasn't any traditional approach. We organized ourselves very task-focused.”

But then came the phase in which the company grew rapidly from around 40 to 60 employees. This boost was the result of larger project volumes. The narrator recalls, for example, projects for which the software license alone cost a six-figure sum. Such orders automatically raised expectations of quality and speed, which in turn required more personnel. New employees who came from conventionally organized companies joined the company, where roles were clearly defined and arranged in a hierarchy. These employees automatically looked for supervisors, department heads, or team leads because they assumed that this was how a professional company functioned.

“And then we grew quickly and then you suddenly have people who sense opportunities, I can now somehow become a supervisor or something, or I can become a team lead or something.”

In this very area of tension, the narrator realized that his original concept, in which each person acted independently and relied on short lines of communication, was no longer sufficient to prevent misunderstandings. He talks about people who chose their own office without consultation and suddenly held performance reviews because they thought this was the job of a managerial position. However, such practices went against the spirit that the narrator had always wanted to foster. He was convinced that big titles and classic power structures were more of a hindrance than a help for his type of project.

“We didn't write it down, but writing down this classic management and head-offs and titles and the exercise of power within these titles and so on, that's actually not necessary.”

When he recognized this problem, he started to educate himself extensively. He read *Reinventing Organisations* by Frederic Laloux and other books on the topics of New Work, sociocracy and holacracy. He was basically looking for a way to give his lived

culture of flat hierarchies an official, clearly communicable structure. He saw the fact that traditional and new employees created their own authority without being asked as a sign that the organisation needed to define its principles in writing and represent them to the outside world. He believed this was the only way to overcome the imbalance between old employees, accustomed to collective decision-making processes, and newcomers, who relied on command-and-obey relationships. The narrator's reasoning was based on the experience that his company was already self-organised in many respects but not consciously and transparently enough to withstand growth challenges.

“And that was the moment when I said, okay, it's somehow always been unclear how things work here. We haven't written it down, but writing down this classic management and head of's, with titles and the exercise of power within those titles and so on, isn't really necessary.”

He needed a system that empowered people with skills instead of a manager making decisions with little insight into the day-to-day operations. In addition, he was disturbed by the observation that purely informal structures led some people to assume the role of boss without being asked and that the original, trust-based culture was in danger of being obscured. To prevent this, clear rules were needed, but these were not based on hierarchical control but on each individual's personal responsibility. Here, he saw great potential in models such as Holacracy, which provided formalized processes but without the rigid thinking of classic line organization.

”And then I scanned everything and realized, as I said, that Holacracy is essentially very close to what it entails, to how we actually work anyway. And then I came up with the idea that I should now [...] that role clarity is inherent in all systems.”

5.2.3.3 Planning and Execution of the Transformation

The starting point was rather pragmatic. The narrator first looked at various models, including sociocracy and holacracy. He read about them, attended workshops and

exchanged ideas with other entrepreneurs who had taken similar steps. He was particularly impressed by holacracy as a concrete method that defines a constitution and circles. He noticed that many of the principles of his company were already very close to the basic ideas of Holacracy. For example, there was no distinct personnel hierarchy; it was a task-based organization in which teams coordinated themselves.

Nevertheless, it was clear that a structured approach was needed to take the whole team with him on this journey. First, he wrote down various roles in the company: Who makes the invoice, who takes care of marketing campaigns, who administers servers, and who maintains customer contacts. He quickly realized that this was more extensive than it would have been to capture in a simple PowerPoint. So, he tested software developed specifically for holocratic structures to visualize roles, circles and responsibilities. In these early phases, it was not yet important to him to officially announce that they were using Holacracy or Sociocracy. He just needed support to make the division of tasks transparent.

“And then I said, okay, let's give it a try. Then we started writing down roles and quickly realized we needed outside support.”

The next step was to seek external support. The narrator hired a consultant who had already managed an IT company in a holacracy and had much experience. In a several-day workshop, the basic principles were presented, training was provided for central roles such as the facilitator, and discussions were held on how the circle structure could look in concrete terms. The marketing, development, project management, and administration circles were particularly important, as this is where most of the coordination occurred. In addition, there were also strategic circles in which corporate goals and long-term planning were discussed. The idea: each circle has its own *raison d'être*, defines its roles and makes independent decisions about how it can best fulfill this purpose.

“So, if we, marketing is initially a role, and if you then expand the role to become a circle, because then several people take on different tasks, then it expands to become a circle, but the circle basically defines the purpose of the circle and basically determines the meeting structure.”

He remembers that he immediately encountered some minor resistance. On the one hand, there were employees who did not understand exactly why there should be formalized processes when everything had been handled informally before. Others saw an opportunity to position themselves as leaders and tried to take on a kind of managerial role within the circles.

Holacracy, however, provides for roles in which it is clearly defined who covers which areas of responsibility, and each circle elects a so-called facilitator, a kind of moderator for meetings. The fact that some circles elected employees who actually had little interest in the facilitator role led to confusion at the beginning. He describes it as a misunderstanding in which people thought that the facilitator was just a kind of minute-taker who could be elected based on popularity instead of someone who would moderate, address conflicts and ensure that the rules were followed.

"And then people said, 'Well, we'll just choose the moderator, he's a nice guy.' So, it's a bit like a note-taker—that was the mindset. And I said, 'No, that's a Holacracy facilitator.' That's someone who knows the rules, who follows the rules, who leads the meeting, who ensures that conflicts are addressed. [...] It's not just a nice role; it's a real position."

In response, coaching and training sessions were started for smaller groups. Some took place in offsite workshops, and some in regular short training sessions in which the leaders learned how to lead a meeting according to holacratic principles. In retrospect, the narrator believes these coaching sessions should have been conducted locally and step by step in each group. Instead of one big training session for everyone, in which the theory is taught, it would have been better to keep returning to the real meetings and discuss specific situations. That way, the system would have been more tangible for everyone instead of hastily introducing a structure that not everyone directly understood.

"I think I should have gotten someone to go through it with us meeting by meeting and actually do it. I thought, I'll do a training session for one day, then everyone's up for it, and then we'll do it. [...] But I think

it would have been better if we'd had someone to simply moderate it over a period of time, explain it, apply it, and so on."

In summary, the planning and implementation of the transformation was gradual but had a clear direction from the outset. The narrator did not want to establish a rigid hierarchy but rather a self-managed, role-centered organization. The Holacracy constitution provided a basis for this but was interpreted flexibly in some places. To make it all work, he organized external workshops and regular reflection sessions where everyone could learn how the meetings and decision-making processes should work. Difficulties arose when people knew the rules but did not want to follow or misunderstand them.

"The result was that the same two or three people who were interested were always there, and the other seven said, "No, we'll manage, we're doing well now, things are going well for us." Those were just a few of the things that happened."

It was precisely in these areas that the differences between those who had been with the company for a long time and intuitively understood the culture and those who brought in new, traditional management practices became apparent. However, the firm belief that this kind of self-organization is the better solution helped the team gradually anchor the transformation.

5.2.3.4 Characteristics of the Framework After Transformation

According to the narrator, the organisation currently resembles a series of interconnected circles that consolidate responsibilities rather than a traditional management pyramid. For example, there is a circle for marketing in which all tasks related to campaign planning, branding, and public relations come together. In development circles, questions about technologies, tools and code standards are clarified. Another circle takes care of strategic direction, while yet other circles deal with finance or human resources administration.

Roles are defined in each circle. For example, one person takes on the role of communications manager, another the role of budget manager, and yet another takes

on the role of technical manager. These roles are not firmly anchored in a traditional department but can change as tasks shift within the organization. An employee might hold a role in the marketing circle but also write invoices, provided they have the skills and interests. It is important that these roles are transparent and that everyone knows what tasks a role involves and who currently holds it.

“One writes invoices, one does marketing campaigns and then you see what all there is, somehow for roles. Some are personal unions, some are separate and from that at some point a structure emerges where you can see them, by circles.[...] And then I had the idea that now I would have to go, so there is role clarity in all systems.”

A meeting in the circle follows a specific procedure designed to ensure that every voice is heard and that no one rises up to become the boss without being asked. A facilitator acts as a moderator, ensuring the agenda is followed, conflicts are addressed, and results are properly documented. It is also emphasized that decisions should be made where the most expertise lies rather than delegating everything to a superior manager.

Since the organization is no longer tied to rigid departments, the company can also react more flexibly to changes. For example, if more customer acquisition is needed in a quarter, a person previously in a development role can temporarily take on more sales tasks. This breaks down silos and trains employees to think outside the box of their original discipline. Of course, this requires everyone to engage in ongoing training and be willing to take responsibility for changing responsibilities. However, he sees this as an advantage because it promotes employees' learning curve and strengthens their view of the big picture. Finally, the applied framework in the Narrator's business is very close to Holacracy, even though some of the structures are not utilized, as the constitution is not signed or meetings are not held as they are intended by the Holacracy framework's processes.

"The constitution is what it is, and we haven't changed the rules. At least not in general, but within the limits of how the constitution allows for supplementing and adapting the rules, we have partially exploited that. One... it's intended that each district holds a meeting, but one can

also say we won't hold a meeting. If we don't need it, if we work so well together, then a meeting would be unnecessary, if we've already agreed on everything, it would just be business theater again, so let's just skip it."

5.2.3.5 Reflections on the transformation process

Looking back, the narrator says he would manage some aspects of the transformation more consciously. For example, he would be more careful to ensure that the role of a facilitator is not seen as an unimportant task given to someone who has no other function as a favour.

"But even on day 1, when we said, other people had already been chosen as facilitators because they didn't understand the importance of facilitating. That's how it all started."

Rather, this moderating role is essential to organizing a meeting according to self-management principles. Ideally, a policy would have been established at the outset that clearly defines who can be a facilitator and how this person is chosen instead of relying on each group to understand the principle intuitively. The example of a group simply choosing anyone as a facilitator because they didn't take it so seriously shows him how quickly misunderstandings can arise when a set of rules exists but is poorly communicated in everyday life.

"The subsequent elections were also like this: no, I think Müller could also become a facilitator. He's never done that before. So, it was decided at this level: who's going to get some coffee? Instead of who's the best person we have in the district, who's really good at it and wants to. It wasn't about qualifications, but rather... who's up for it. That's the second mistake."

Another issue is how to introduce new employees or those who are attached to traditional hierarchies to this culture. He believes that more comprehensive, practical coaching would have been helpful, in which a circle can be accompanied step by step in its real meetings, instead of first attending a large theory seminar and then

experimenting alone. He believes that this close support would have helped to clear up some misunderstandings more quickly and reduce prejudices.

“And if you ask what I would do differently, I would coach and enable the circles from within, like the Loop Approach or something like that, so from within the circles.”

In fact, he later implemented a kind of tandem or mentoring system in which more experienced employees took newcomers by the hand and guided them through the principles of self-organization. He regrets not spending more time on this at the very beginning. With regard to people who have difficulties with personal responsibility and self-directed work, the narrator admits that this system is not equally well suited for everyone. Some find it overwhelming when they don't get orders from above but have to decide how to proceed. Others enjoy the new freedom but don't understand that freedom is inextricably linked to responsibility.

"After that, we had Holacracy, where we had marketing and where they thought, 'I can do whatever I want now.' You can see that things have gone a bit off track."

In retrospect, he would have liked to have checked more closely what the personal attitudes of employees were towards the self-management concept before involving everyone in a process with which they could not identify. With more individual case management, it might have been possible to recognize more quickly who needed support or who, despite everything, wanted a traditional structure.

“There are definitely people who don't understand it, don't want to understand it, and reject it. So, there's a dialogue about responsibility: can, want, may, and must. Some don't want to, and some can't, or don't want to understand it, or can't understand it.”

One topic that the narrator also addresses is the danger of over-bureaucratization. Holacracy and similar models are introduced to increase flexibility and responsibility. However, there is a tendency for people (especially in Germany) to try to cover every

eventuality with a rule. If every problem is then answered with an additional policy, a tangle of regulations can arise that makes the system cumbersome again.

“Germans are always obsessed with rules. We should write things down, and if something doesn't work, we'll do another rule thing. [...] My job is to constantly beat the creeping bureaucratization out of the company and draw attention to it. That's my job.”

He would have liked to have pushed harder from the start for the team to regularly question whether a particular rule is still necessary or can be abolished. After all, self-organization also means being willing to eliminate redundant regulations instead of dragging them along forever.

Despite these critical points, he is satisfied overall. The company has gained a lot of experience, sharpened its self-image and created a culture where employees can find their ways as long as they adhere to the agreed roles and methods. In retrospect, he would do some things differently, making the transformation slower but more focused. Above all, he is convinced that the people enthusiastically embracing this model are much more productive and committed than in hierarchical structures, where some merely work to rule. He knows that things never go perfectly and that there will always be situations where old thought patterns creep in. However, it was worth the effort for him because the company continues to grow and implement projects without establishing a rigid office culture.

5.2.3.6 Summary Interview 3

The path to a self-managed organisation is not straightforward. It consists of many small steps, experiments, and a willingness to make mistakes and learn from them. In the narrator's case, it was primarily the company's rapid growth that brought about a situation in which they had to decide whether to introduce traditional hierarchies or consistently establish a different, more modern model. Inspired by books like *Reinventing Organizations* and exchanges with other companies, the team chose the latter. It opted for a system prioritising roles, circles and transparency instead of rigid positions and chains of command. The aim was to formalize the existing culture of trust

and personal responsibility in order to prepare for new arrivals and changing project requirements.

However, the implementation showed that such a model cannot be introduced without conflict and a learning curve. Some employees felt challenged to act independently for the first time. Others feared losing control or creating informal power structures that contradicted the spirit of self-management. An external coach helped to explain the new structure, and owners and employees organized workshops to breathe life into the principles of Holacracy. In many places, this went smoothly, but in others, there were setbacks. Looking back, the narrator sees a need to clearly communicate the principles and roles and be more careful when selecting facilitators and role-bearers. He would welcome more close support for each team and circle rather than relying on software and a few theory lessons.

The core of his insight is that the system itself is neither good nor bad but depends to a large extent on the commitment and attitude of the people who fill it. A self-managed organization needs people who take responsibility, think cooperatively and want to learn together. It also needs leaders who are willing to give up power and see themselves more as enablers. At the same time, one must not forget that self-management can also mean drawing clear consequences when someone persistently fails to fulfil their role. He recommends that anyone who wants to follow a similar path should closely examine the typical behavioural patterns in organisations, because the underlying human dynamics do not automatically change just because a new structure is introduced.

The story of the narrator's company is an impressive example of how the transition to a self-governing organization does not lie solely in technology (such as Holacracy software) or in a formal set of rules (the constitution). Rather, it is a cultural change that extends over months or even years and requires continuous reflection. The goal of giving employees more autonomy can only be achieved if there is a willingness to deal with conflicts openly, take responsibility, and constantly review whether new rules fit the organization or tend to create bureaucratic obstacles.

When the research questions are recalled - why a transformation was initiated in the first place, how it was planned and implemented, what the resulting structure looks like, and whether you would do it the same way again – one will find several insights in this story: The motivations are usually rooted in growing demands and the desire for

a participatory culture. The implementation requires external input, a lot of communication, and iterative adjustments.

“If you're a holocratic consultant, you need that blessing and have to get a license. But I think he did that, too.

And there, you learn how to introduce holocracy. And he did that with us, and then he accompanied us there. So, after this workshop, he was there for sparring, rather than him or his colleague, who did it together. It was more likely that the colleague was there for sparring if there were any questions.”

The characteristics of such a self-managed organization can be seen in circular structures, role-specific responsibilities and a strong emphasis on joint decision-making processes. Finally, it can be said that even in a fundamentally successful story, there are many small details that, in retrospect, could have been handled a little more consistently or empathetically.

What can be said is that transforming a company into a self-managed organization fundamentally affects the individual way of working and thinking of everyone involved. While it abolishes classic boss positions, it does not release people from the duty to continue to lead—only to lead in a new way, one in which responsibility is widely distributed. In his case, this meant creating an environment where expertise and initiative count, mistakes are seen as an opportunity to learn, and power is no longer tied to an official title. The journey there was and is to be mastered in small and large steps, but the change that has been achieved has, according to the narrator, made the company more resilient and future-proof, especially in turbulent times. He would approach it the same way again – albeit with a little more attention to a thorough communication of the Holacratic principles in the individual circles.

5.2.4 Interview 4: A Producing Company

5.2.4.1 Introduction

Since its foundation in 1980, the company has specialized in safety solutions. With around 72 employees, it develops and manufactures electrical control systems

designed to ensure the highest level of safety in a wide range of machines and systems. Specifically, this means, for example, that rotating systems such as saws or other dangerous tools can be quickly and reliably slowed down in an emergency, even if parts of the control system should fail. What began in the 1980s in a small basement laboratory has now developed into a medium-sized company with two German locations. The work consists not only of the construction and further development of safe controllers but also increasingly includes a digital ecosystem: in addition to the hardware components, software solutions are created that can be used in the early design phase of a machine, take over data evaluation and monitor and optimize the performance of a system using machine learning approaches.

From the very beginning, this company was characterized by a certain innovative spirit. The original founder and owner had co-founded the field of functional safety at a time when hardly anyone in Europe was familiar with the relevant standards. He always had a rather unconventional understanding of leadership: there were tasks in the company, but hierarchical structures with formal superiors were not very clear. The company retained this relaxed culture, shaped by its founder, for many years. Nevertheless, a crucial step was initially omitted: the conscious and systematic design of a new organizational form that would transform the already present openness into a structured self-administration. Only in 2018, when a strategic reorientation was on the agenda, this question became more pressing than ever.

Although the company was successful in its niche and served notable customers, the environment was changing dramatically. Technological developments, digitalization and growing international competition presented the team with challenges. In addition, the founder was at an age where succession and future management questions were becoming increasingly important. The owner's son took on more responsibility but did not want to fill a traditional "leadership role" because he did not come from an engineering or business background but had a completely different educational background. At the same time, a consultant new to the company already had professional experience with an organization that operated according to the principle of Holacracy. These conversations came together and led to the decision to risk a far-reaching transformation. Instead of traditional hierarchies, the aim was to create a self-managed organization in which roles, rather than rankings, define who makes which decisions.

5.2.4.2 Rationale for transformation

A key driver of the transformation was the realization that the previous structures were no longer meeting the market's increasing demands or the internal need for clarity and initiative. The company had been managed rather informally for years: although there were divisional managers, their role was not very pronounced. Actual management work only took place to a limited extent. Many decisions were left to the founder or his son, but in the long term, this was not sustainable. On the one hand, those in charge were aware that a single person cannot oversee all the details of a complex technology business. On the other hand, they wanted to use their employees' creative potential better to develop new software and hardware solutions.

“On the one hand, those in charge were aware that a single person cannot oversee all the details of a complex technology business. On the other hand, they wanted to make better use of the creative potential of their employees to develop new software and hardware solutions.”

In addition, the family that owned the company had a different understanding of management than many other medium-sized companies. The founder himself had always been interested in open forms of work and pursued more of a start-up-like environment, even though the company was no longer a small start-up economically. The lack of a strong hierarchy was an advantage on the one hand – there was a certain freedom in dealing with each other – but on the other hand, it was also a disadvantage because clear responsibilities were not always assigned.

“The lack of a strong hierarchy was an advantage on the one hand – there was a certain freedom in dealing with each other – but on the other hand it was also a disadvantage because clear responsibilities were not always assigned.”

Dissatisfaction grew, especially with larger projects: Who makes the final decisions? Who coordinates interfaces? Who takes responsibility when things go wrong? An external consultant finally helped to initiate a formal strategy process. During an audit of quality standards (ISO 9001), the question arose about the company's future

plans. The team began to doubt whether they could meet the growing digital demands without fundamentally changing the organization. They identified three major topics: first, the development of modern products (e.g. with software ecosystems); second, professionalization in the area of sales; and third, the creation of an organizational form that better attracts and retains talent. The latter led those responsible to the concept of Holacratic Self-Management, which promises that decisions are made where the technical know-how lies and that employees actively participate.

“It was clear that we needed a system that moves away from the big boss giving orders from the top and instead puts the individual employee in the foreground. That’s how we decided on Holacracy.”

In addition, some managers had realized how dependent they were on experts in the team. If, for example, a certain machine project requires highly specialized knowledge, a manager can't assess every detail. A classic hierarchy would have led to inefficiency here. In a structure based on roles, on the other hand, the expert can be given the authority to make decisions without having to go up the management ladder each time formally. Another reason why the son of the owner was enthusiastic about Holacracy was his personal friendship with a new employee who already had experience with a holacracy. After several intensive discussions, the conviction grew that self-organization is not just a fashionable buzzword or a pure software start-up phenomenon but can also help a manufacturing SME.

5.2.4.3 Planning and Execution of the Transformation

The first formal step was a joint workshop in which absolutely all employees participated – from the engineers in development to those working in production. A purely top-down approach was consciously avoided. Instead, the term “self-organization” was explained, as well as why the management wants to develop more in the direction of a responsive, responsively organized company. There was also insight into the Holacracy model. An external consultant supported the methodological design of these meetings by using simple examples to illustrate the basic principles – such as role development, tension-based, and personal responsibility.

These introductory workshops were followed by a phase in which smaller groups tried out how to define roles in practice. All participants first defined their daily or weekly tasks and responsibilities on cards. These cards were then sorted, bundled into roles and given a meaningful purpose. In the company's rooms, veritable “circle landscapes” were created on the floor, marked with tape to visualize which roles belong together thematically. The participants were allowed to consider which roles they could and wanted to take on themselves.

"The employees then wrote cards, mostly cardboard cards, with the tasks they were doing, and they always placed them on the floor. We then sorted these cards and made rolls out of them. Then we said, 'This is a purpose, how do you describe it?' And then we taped them to our meeting rooms, and then we had circles on the floor with descriptions..."

At the same time, the team prepared a digital tool in which these roles were recorded. Initially, GlassFrog was used, but later they switched to Holaspirit. This software makes it possible to log governance meetings, store role descriptions, and view changes to the structure in real-time. Facilitator and coach roles were introduced to ensure this did not degenerate into a mere technical issue. For example, a colleague with previous experience in holacracy took over the moderation in many meetings, ensured compliance with the holacratic meeting rules and offered assistance in difficult situations. She also provided mentoring when new employees joined the team.

"We hired a colleague who has also worked in the holographic company. She still functions as a coach today. She has many coaching roles there. She also goes in and moderates a meeting, a holographic meeting, when things aren't going well. She takes care of the onboarding of new employees."

An important strategic decision was to include all areas, including production. Unlike many software companies, the company also had a significant number of blue-collar workers. This led to an intensive examination of the question of whether and how to get people who had previously worked in a traditional production environment excited

about Holacracy. At first, there was little resistance because many employees were not clear about what this approach meant. But after just a few months, it became apparent that two camps had emerged in production: some were happy to have more creative freedom and to create new roles for themselves, for example, in occupational safety. Others felt overwhelmed or considered it unnecessary bureaucracy. A noticeable defensiveness arose there, which at times led to tensions and disagreements.

“About a year after its introduction, there was a really bad mood and a lot of hostility towards each other. Because one side, of course, used holocracy, they somehow totally benefited from it. [...] And then an employee told production, hey, we're not doing enough for occupational safety. She then took on a role herself and suddenly founded the occupational safety department.”

Management responded to this with one-on-one meetings, coaching, and the clarification that self-managed work is not optional but part of the new strategy. However, where it became clear, despite discussions that employees fundamentally rejected the principle, severance agreements were arranged, or employees were dismissed. A small part of the team left, enabling others to flourish more in production. Today, production is considered one of the most holacratic areas of the company, where a shop floor meeting almost resembles a tactical meeting, and employees decide independently how to organize their processes.

“We then said, ... simply made it clear what our expectations were. And then, for example, we laid off employees in that area, ... exactly. And that led to this very circle of production, which is perhaps the most holacratic working area in our company, and they have truly changed their meeting format on their own.”

There were also important learning loops outside of production. In development, for example, people wanted agile working methods like Scrum or Kanban. The organization decided not to prohibit this but to integrate it into the holacratic way of working. This resulted in a hybrid solution in which the development teams design their

sprints and retrospectives, integrating governance questions into the retrospective instead of setting up an additional meeting format. At the same time, an OKR (Objectives and Key Results) system was introduced to make strategic goals transparent throughout the company and to ensure that self-organization does not lead to arbitrary projects but clearly contributes to the company's vision of the future.

To avoid confusion, they eventually developed their own version of the Holacracy constitution instead of copying the “official” constitution one-on-one. The reason for this was that individual regulations were adapted to take into account the specifics of production, development and administration. The official ratification act did not occur until much later after the finer points had been revised, and all relevant parties had accepted the adjustments.

“We actually ratified the Constitution just recently, a month ago, but also our own Constitution. We haven't adopted it exactly as it is. [...] We've noticed that it works well for us when we combine different methods from different New Work elements. Let's say, for example, we use Scrum in development, and we use Kanban in the other team.”

5.2.4.4 Characteristics of the Framework after Transformation

One of the most essential elements of the post-transformation self-management system is formalizing tactical and governance meetings. These meetings, now a component of the organizational rhythm, are used to delineate operational discussions from structural ones. Tactical meetings are used for near-term, task-related issues such as managing backlog and project bottlenecks. On the other hand, governance meetings are for structural concerns, such as defining or redefining roles, creating new roles (e.g., a role for occupational safety), and changing accountabilities. This role separation enables agility and clarity by enabling the organization to quickly deal with day-to-day matters while evolving its structure inclusively and transparently.

“And I think you can see that there's a lot of movement going on, that we take governance very seriously, and that has changed quite often. Our governance has changed quite frequently, because we say that everything is changing so quickly.”

Another important aspect is the role-based organization. Rather than relying on hierarchical job descriptions, the company works through a structure of clearly defined roles with particular purposes and accountabilities. The roles are not fixed but evolve dynamically through governance meetings. The workers may hold multiple roles in different circles (teams), and the organization is flexible to respond to strategic needs. This approach encourages individuals to work within their responsibility and across functions. It breaks down silos and provides freedom to employees to act based on role clarity rather than seeking permission from someone superior.

The company has also developed a strong onboarding and coaching mechanism to assist new joiners in getting acclimatized to the self-management system. New members undergo a six-week onboarding where they learn by doing and running a business using holacratic principles. Through exercises like role-defining for a fictional ice cream company or doner kebab shop, employees gain practical experience with roles, governance, and decision-making. On-the-job training ensures everyone understands the system well and can contribute early on.

“Our onboarding process is such that we always take three or four new starters.[...] In a six-week program, they meet once a week and start a holacratic company. They write roles and create a very simple example. Usually, it's an ice cream parlour or a kebab shop or something like that.”

Most significantly, the organization precedes the necessity for psychological empowerment alongside structural change. Leadership has come to understand that the simple sharing of power through new structures is inadequate. The workers must also perceive themselves as competent, autonomous, and having an impact on their work. The corporation has incorporated tools to measure psychological empowerment based on factors such as perceived meaning, self-determination, competence, and impact. These measures enable the identification of those struggling and inform focused coaching or role changes to aid in their development.

“And in this psychological empowerment approach, it's comprised of four facets. It's about my personal experience of meaningfulness—do

I see meaning in what I do? Do I have self-determination? Can I decide how I do it? Do I have influence on the issues? And do I feel competent to do it? So, for example, can I even control the system? And we later began to actually measure that.”

Further, leadership is not eliminated but redefined. While the system minimizes traditional managerial authority, it incorporates roles such as Circle Leads and internal coaches that coach performance, provide feedback, and facilitate employee growth. Employees are even free to choose their coach, which promotes a culture of trust and growth. The hybrid model ensures that while the firm is self-managed, a support mechanism is still available to help individuals grow and align with company objectives.

The production team, often referred to in traditional firms as the "blue-collar" workforce, has also embraced self-management to a great extent. Initially reluctant, they developed modified tactical meetings (e.g., shopfloor meetings) and began planning production. The case of an individual employee designing and assuming the occupational safety role shows the extent of ownership and initiative now present at every level. This shows that self-management not only applies to technical or office staff but can also be extended to all aspects of operations.

Finally, the system remains adaptive and iterative. While based on Holacracy, the company has customized its approach, taking elements from other systems such as Scrum, Kanban, New Work, and OKRs. The company does not rigorously adhere to one methodology but selects practices supporting responsiveness and alignment. For example, objectives and Key Results (OKRs) guide strategic direction, while meeting formats are customized to team needs.

5.2.4.5 Reflections on the transformation process

In retrospect, the process was ultimately successful, but not without difficulties, misunderstandings and personnel friction. The company emphasizes that starting with a pilot project in a single department would have been ideal instead of involving the entire organization and focusing more on change management from the start.

“So, I would definitely start with a pilot. I would start in one area, and I would implement much better change management from the very beginning.”

In reality, however, the decision was made to go for a comprehensive rollout. This created great momentum in the short term but also meant that many employees initially had no idea what was expected of them. There was particular unrest in production when it became clear that holacracy not only meant a new meeting culture but also a real rethink in terms of personal responsibility.

"About a year after the introduction, there was a really bad mood, and a lot of people were really against each other. Because one side, of course, used Holacracy, they somehow totally benefited from it."

In addition, a more structured change management should have been prepared in advance. Although workshops were organized and consultants were invited, a kind of “roadmap” was missing, which would have continuously explained why certain steps were happening, what the goal was and when milestones would be reached. It soon became clear that adult learning was taking place in the sense that people were learning from their mistakes, which is normal, but it caused time and unrest. With clearer communication and trained internal multipliers, some uncertainties could have been reduced.

Furthermore, the management team would have liked to have understood earlier that self-organization does not happen by itself. In other words, simply delegating authority does not create mature, responsible people. There needs to be a psychological component of empowerment that ensures that people feel capable, competent, and committed to their roles. A change as profound as this one confronts many with fears or the reluctance to admit mistakes. In retrospect, one wishes that competencies requirements had been established from the beginning to clarify essential skills and attitudes.

“I would definitely put more thought into what it actually entails from the beginning, what competences are required, and I would probably spend a bit more time preparing.”

This would have allowed the company to select new employees in a more targeted manner or to train existing employees more intensively instead of throwing them unfiltered into the deep end.

As the team reflects today, dealing with leadership was also tackled too late. Sometimes, the hope that leadership is unnecessary or develops by itself in a self-managed organization is deceptive.

“But this leadership issue is so important. And we're only just beginning to do that. Really looking, realizing that we need leadership. [...] And that's where I find holocracy... simply the idea... I find that a bit too romantic, to believe that everything will sort itself out.”

In fact, this medium-sized company showed that people need leaders in terms of feedback, development, and goal setting. Implementing circle leads and coaching roles happened differently than in conventional companies, but the effort needed for these leadership roles to become established was underestimated. In the meantime, it has been accepted that self-managed teams need regular coaching and reflection.

Nevertheless, the founder and his son are proud that the company has grown continuously over the years and has been able to hold its own despite critical developments. One indication of the company's success is the increase in production output, even though the same or even higher quantities are now being produced with fewer employees than before. At the same time, development and sales are able to tap into new markets because they are empowered to find innovative solutions independently. The founder and his son are convinced they are on the right track, which helped clear up many misunderstandings early on. If they had tried a half-hearted top-down introduction, the system would probably have failed when the first resistance or challenging tasks arose.

“I think one of the success factors for Holacracy in our company is that it wasn't conceived by a digitalization or change management team, but by management. So, there's no hurdle that you somehow fail at and then you say, "Now we can make a decision." I think that's the

problem. I think Holacracy is a decision that is then 100% supported by management.”

In summary, the team cites several specific findings: a pilot project in a small department can be useful because it allows you to test the mechanisms without immediately stressing the entire organization. Consistent training that not only explains the technical aspects of self-management but also keeps an eye on psychological factors (sense of competence, meaningfulness, opportunities for influence) makes the transition much easier. Managers remain indispensable, albeit in a different form: they act more as coaches and coordinators than as hierarchical superiors. A differentiated personnel selection process, which looks for people who enjoy taking responsibility and shaping change, has proven effective in ensuring that not too many drop out halfway through. Finally, it is wise to write your own constitution instead of copying a model like Holacracy 1:1. Every company has specific requirements and can meaningfully combine elements from Holacracy, Scrum, OKRs or other agile methods.

5.2.4.6 Summary Interview 4

The story of this medium-sized safety technology company shows that self-management is not just for software start-ups or consultancies. Holacratic working can not only be introduced in a manufacturing company with blue-collar workers but can become a real engine for growth and change. Nevertheless, the challenges are considerable. Self-management requires a structured approach, intensive training and a willingness to engage in conflicts. Employees who are less willing to change or feel more comfortable in the traditional structure sometimes no longer fit into the system, leading to increased fluctuation. At the same time, the model offers opportunities to be attractive to dynamic, highly competent specialists and to adapt more quickly in the international market.

Some of the assumptions proved to be overly romantic, such as the idea that the need for leadership would reduce by itself. In fact, the question remains: Who will support new employees? Who will provide regular feedback? Who will confront certain people who do not live up to their responsibilities? The company is addressing these aspects through circle leads, internal coaches and a formalized feedback culture. In retrospect, the one thing they would have liked to have introduced sooner is a kind of competency

model that describes the basic competencies needed to work in a self-directed environment, along with clearer career and salary development rules so that employees understand why and how they can advance.

Despite all this, the bottom line remains positive. Production capacity has increased since the introduction of holacratic elements, and the company has expanded and found ways to develop new digital business opportunities. It is clear that innovation and effectiveness benefit from roles taken on by those with the greatest expertise, rather than waiting for a manager from another department to decide. Even though many change management issues had to be resolved along the way, experience has shown that a corporate culture that relies on open communication, rapid knowledge flow and shared values is more resilient in the long term.

The company is an example of how the idea of self-management can be successfully combined with the constraints of a manufacturing company. The decisive factors are consistent support from management, a solid methodological framework (be it Holacracy, Scrum, Kanban or a customized combination) and a willingness to evolve constantly. It was neither an instant success nor a pure success story without disappointments. Over the years, a system grew in which projects could be managed more efficiently, talent could be developed, and decision-making paths could be shortened. The message is clear: self-organization is not a simple sprint but an endurance race in which the organization must constantly adjust to meet its ideals and changing market conditions.

The Holacratic transformation helped the company break out of a certain passivity and revitalize its start-up DNA. The close relationship between the founder, his son and the new employees with Holacracy experience played a major role in this, as it meant that commitment was never lacking from the top. This common ground was the basis for pursuing a self-management course despite all obstacles and fluctuations and for transforming what was initially just a fascinating idea from books, workshops and personal conversations into hard reality. Ultimately, it can be seen that this path - however demanding it may be - brings clear added value if the entire team is willing to take it.

5.2.5 Interview 5: A Digital Media Company

5.2.5.1 Introduction

The narrator's company is a software and consulting service provider specialising in business-critical web projects. This company has been working for several years for a large number of medium-sized and large customers as well as for government institutions. The team focuses on core technologies in open-source content management frameworks. The company realizes complex web projects for clients ranging from public institutions and industrial companies to innovative start-ups. Its services include programming, technical consulting, and often conceptual and strategic considerations. Whether content management systems, high-performance frontends or comprehensive back-end solutions, the focus is always on creating something long-term that remains usable for customers and can be flexibly expanded.

This specialization has attracted considerable attention in German-speaking countries, as the company is considered the market leader in some of these niche segments and has made a name for itself through its high level of expertise in technology and consulting. The company was founded by two people who both had an entrepreneurial past and had grown up in different ways in software development and consulting. However, the company's growth led to typical problems of an expanding organization. At one point in 2016, for example, turnover doubled, which was economically pleasing but pushed many processes to their limits quickly.

5.2.5.2 Rationale for transformation

One of the key motivations was the shared entrepreneurial vision of the two founders. Before founding the company, both had already had experience with other agencies and companies where they were either in charge themselves or worked closely with managers. This previous experience led to the conviction that a sustainably successful company should not rely solely on the skills of individuals but should ideally be based more on collective intelligence and decentralized decision-making processes. However, this insight only matured over several years as the contradictions of the old model became increasingly apparent.

“We're very different in this respect, coming from very different perspectives, but we came to the same conclusion, so to speak, at a certain point in time, where we then met. [...] So, working on the company, rather than working in the company, at least as a goal. Which has a lot to do with letting go, and letting go is also, and trust and so on, is also a purpose of self-organization.”

Another trigger arose from the specific situation in which the company found itself after a strong growth phase. The sharp increase in the number of employees and projects has led to greater complexity. The founders had to decide whether they wanted to strengthen the hierarchies and introduce more controls or whether - contrary to common management logic - they would have the courage to loosen the reins and rely on voluntary action and self-management. The latter seemed more promising in the long term because they were certain that committed and qualified specialists do not need rigid instructions.

“And as is the case when you suddenly grow, even on a small scale with five or six people. In 2016 or so, we had, I think, 108% growth in revenue. In a service environment, meaning not production, but projects. Then, of course, you'll have quality problems at some point. [...] We then decided to go down the path of saying, well, we'll sit down with the people. They know how chaotic it was before. They know what's going well now and what's not. Let's talk to them about solutions together, instead of just acting from above, so to speak.”

Further, the company managers' view of human nature played a decisive role. They were convinced that adults can and want to act with high self-responsibility in the work context, provided the necessary framework conditions are created. This view of human nature clashed with the idea of practising micromanagement or overly strict leadership. The insight that trust is a central factor for motivation and performance played a key role in her decision. The experience with the former officer who introduced a highly disciplined management culture clarified this. Although quality improved in the short term, motivation was at an all-time low. This reinforced the impression that a different solution was needed.

“After three months, we had reached the point where the quality issues had been significantly reduced. Not completely resolved but significantly reduced. The problem is, you do it, and then, of course, everyone ends up demotivated and pissed off. They just don't want to be micromanaged. At least not the people we had back then.”

Finally, the motivation was to set up the company in such a way that it would function well in the long term without the constant intervention of the founders. They no longer wanted to be permanently involved in all decisions but wanted to establish a working structure that was robust enough to grow from within. The founders wanted to work on the business, not within.

“Both my business partner and his previous business partner wanted to be self-employed. They wanted to be highly skilled professionals, they wanted to be at the center of the company, with support staff around them. [...] And we both reached the point in our mid-30s where we realized we didn't want that. For different reasons and backgrounds, but with a few parallels. We both want to be entrepreneurial and work on the company.”

5.2.5.3 Planning and Execution of the Transformation

The transition to a self-managed organization did not happen overnight. Instead, the company took a step-by-step approach. A key tool in this process was the concept of experiments. The management initially proposed declaring various innovations as trials that would be implemented for a limited time. If something did not prove successful, it would be possible to return to the old system or try out a different solution without losing face. This experimental character took away the employees' fear of irreversible wrong decisions and encouraged a certain openness to change.

“Okay, so no, we don't have a playbook that we can apply and overlay, but we do our research and see what might suit us, we look at what

challenges or problems we have and then we test out, as part of these experiments, whether an approach solves a problem for us.”

The first experiment concerned the working time regulations. Until then, there had been fixed office hours, although these were already relatively generous. In a pilot project, the company decided to make working hours even more flexible and to allow employees to choose their place of work as long as customers and colleagues could reach them. The maxim was: "No pain policy". This meant that decisions regarding working hours and work location should be made in such a way that they do not cause harm or pain to others. If, for example, coordination was necessary in a project team, everyone should be informed in good time. This openness was initially viewed critically, but surprisingly, few used it excessively. Instead, many reported thinking more consciously about when and where they could work most effectively.

“Our most important guiding principle is the no-pain policy. It simply states that everyone can, in principle, take any degree of freedom when it comes to working hours, location, vacation, whatever, as long as no pain is caused. For customers, colleagues, supervisors, trainees, no matter who.”

Another experiment and milestone were the so-called trust leave. The decision was made to no longer strictly stipulate the number of vacation days but allow each employee to take as much vacation as needed. Of course, legal requirements - such as minimum leave - had to be observed, but no upper limit was defined. This was also initially only tested for one year. Anyone could opt for this trust leave or stay with the old model in order to keep the hurdles as low as possible. Some were sceptical and waited to see, while others were immediately enthusiastic. The success was so great that this model was eventually offered to all employees. This was accompanied by open communication about customer projects, deadlines and billing modalities, so everyone knew how much work was due.

“And why do you have to artificially limit vacation time with a vacation account like this? Other things are actually more important. Work results, billed days, i.e., other metrics that are actually more important.

And if the person has access to these metrics and knows the goals and the context, then that person can decide for themselves whether they want to take 22, 28, or 35 days of vacation per year.”

In order to coordinate these and other experiments, regular exchange rounds were held in which the participants could give feedback. The founders initially moderated these rounds themselves but gradually withdrew as soon as the team felt they could make decisions independently. A format was developed in which important topics were discussed in small groups and then presented in plenary sessions. This approach allowed many voices to be heard while maintaining a certain focus.

“Then a change panel takes place, and there, usually one, two, or three points are discussed that are relevant, where at least a third or 40% of the workforce has to say, “I’m interested in this, it’s relevant to me.” And then it’s put on the agenda of the change panel.”

At a structural level, the company introduced roles instead of job descriptions. To map the processes in the company, each employee was given clearly defined roles that were related to specific areas of responsibility. Feedback and regular measurement ensure a clear picture of the performance and possible adjustments needed.

“There’s a managing director, there’s a team lead, there are different roles to reflect what’s happening in the company, so to speak, and we have a regular feedback system that provides and presents measurable feedback at least every three or four months.”

In a time of crisis, an open information policy was established. Almost all business figures were transparent so that everyone in the company could understand how high turnover and costs were, which projects were earning the most and where there were bottlenecks. This transfer of knowledge was intended to enable the team to make independent decisions and think in terms of the company as a whole instead of just seeing their own task. Initial problems that could lead to uncertainty among employees were recognized but realized as a lack of normal and crisis communication.

“Now they had these numbers and this situation, but they were still completely overwhelmed. That is, we realized we had gaps in communication, including in crisis communication. People still felt powerless.”

Consistent communication was a key factor in the implementation of the transformation. An internal forum was developed where all suggestions, ideas and points of criticism could be shared. The most important issues were discussed in regular meetings, and the responsibility for finding solutions did not lie solely with the founders. Rather, it was encouraged that those who best understood a problem should be the ones to work on it first. This increased employee identification with the results.

“Suddenly, we had a trans person on the team, whereas before, there were none. So, perhaps, we have to handle communication differently, and so on. Such topics are then discussed there, and then we say there is an outcome, and this outcome is, for example, we adapt the manifesto and see how that develops.”

Although there was resistance and some people were initially unable to cope with the new freedom, the combination of an experimental approach, open communication, and clear guiding principles ("no-pain policy", roles instead of job descriptions, transparency) proved to be a viable path towards self-administration. Implementation required patience and a willingness to keep readjusting. Ultimately, however, a structure emerged characterized by a high degree of flexibility and a sense of responsibility.

5.2.5.4 Characteristics of the Framework After Transformation

The company showed several defining characteristics that illustrated the success of the self-managed organization. One of these features was the clear emphasis on roles and responsibilities rather than rigid position titles, such as the trust-based vacation. Still, the transformation is never really finished but rather marks a continuous learning process and a process of continuous improvement.

“Yes, it's never finished, because the trust-based vacation was just one component of the trust-building initiative, and the no-pain policy was just one. There were further evolutionary steps. Other, let's say, problem areas that we gradually noticed and then gradually addressed.”

Another characteristic feature is the transparency of key figures and decision-making processes. Sales figures, turnover, project costs and capacity utilization rates are freely available within the company. Anyone who has to decide on personnel or technology issues can find out at any time what is financially possible, and which projects currently have priority. This creates a common data basis that facilitates collective action. It was important for the management to convey to employees that transparency is not just a right, but also a form of trust.

“I don't see this as a major milestone, but for me it's part of this whole transparency and commitment thing. People need to know what's happening in the company if they're supposed to make decisions and even make them themselves. So, for me, transparency is part of this trust issue.”

Initially conceived only as a lean guideline, the no-pain policy developed into a cornerstone of the corporate culture. It reminds everyone that individual freedom has its limits where it harms others. The fact that projects are managed jointly and team members are in close contact with each other creates a kind of tacit agreement in practice: Anyone who suddenly wants to go on vacation checks for themselves beforehand whether there are any important deadlines and coordinates with their colleagues. The new culture has internalized this self-evident coordination. Although there is still a formal system for requesting leave, approval is practically the mutual responsibility of the applicant and the project team.

“With us, if you're thinking about when you'll take your vacation, you'll ultimately submit a vacation request so we can coordinate it within the organization. But people who submit vacation requests with us have usually already spoken with their other colleagues, looked at the

project context, considered when it will take place, who can cover for them, and so on, before submitting the vacation request.”

Due to the strong decentralization, the company has also broadened its organizational structure. There is no traditional hierarchical level in which a few people decide over many. Instead, there are distributed decision-making areas. For decisions requiring more persons' opinions, such as pay raises, panel groups are formed in which employees from different areas come together. These panel groups formulate a proposal and decide for the entire team. One example is the pay panel, which consists of various persons, reflecting the whole company and deciding wages.

“We have a pay panel, which is a committee of five or six people who have different roles within the company. There's a managing director, a team lead, and so on, there are various roles to reflect what's happening in the company.”

Another striking feature is that The No-Pain Policy described in the interview represents a central cultural principle that balances individual freedom with collective responsibility. By allowing employees to make autonomous decisions - such as taking leave - within the boundaries of not causing harm to colleagues, clients, or workflows, the policy fosters self-regulation and accountability. This approach not only minimizes the need for top-down control but also strengthens trust, coordination, and proactive behavior among team members. Over time, it has evolved from a guideline into a foundational element of the organization's self-managed structure.

“Our most important guiding principle is the no-pain policy. It simply states that everyone can, in principle, take any degree of freedom when it comes to working hours, work location, vacation, whatever, as long as it doesn't cause pain. For customers, colleagues, supervisors, trainees, no matter who.”

It should not be forgotten that a self-managed system is never perfect but always comes up against new limits. These limits can arise, for example, when a new project has extremely high demands or when personal conflicts arise in teams because

freedom always goes hand in hand with responsibility. This manifested especially in understanding the transparent figures, especially the financial ones. Since those are the basis of all decision-making, they need to be understood, which was not the case overall. This led to an onboarding process that includes understanding financial figures, which is called *financial onboarding*.

“And we also do what we call financial onboarding. That means our accounting and controlling departments explain basic business administration knowledge to anyone who's interested, including what all the numbers mean, why you need a return, why you need surpluses, how they're connected, and what sales and revenue are, and so on.”

5.2.5.5 Reflections on the transformation process

Although those responsible regard the change as a success, from today's perspective, there are a few aspects that they would probably modify in retrospect. One of these points concerns the speed of the introduction. The transformation could have been faster if the company had had a straightforward change process.

“I would say that some things you only learn when you experience them, but I would have taken a few shortcuts.”

Further, the company should have made a more deliberate effort to identify, appoint, and coach the right individuals as team leads - especially during critical phases such as rapid growth or organizational crises. As reflected in the interview, lacking strong leadership during these times resulted in inefficiencies. Earlier investment in leadership development could have significantly improved team stability and resilience.

“So that means, for example, if we had in our growth phase in 2021, 2022, we would have placed value on having strong team leads”

Another point is communication. Although transparency was important to the company from the outset, it turned out that information alone is insufficient if the context is not communicated. In other words, not every person was immediately able to assess the consequences of certain key figures or projects for their own work. In retrospect, it seems sensible to offer training on business metrics and decision-making criteria so that employees feel more confident. Better support in this learning process might have reduced uncertainties.

“Now they had these numbers and this situation, but they were still completely overwhelmed. That means we realized we had gaps in communication, including in crisis communication.”

After all, the company would not do much differently and seems satisfied with the outcome. The final framework reflects a self-designed, self-managed organizational framework, with Holacracy and Loop Approach elements. The No-Pain policy, for example, reminds one of the tension-based work described in the Loop Approach (Klein & Hughes, 2018). Another example is the change panel, which reminds me of a governance meeting in the Holacracy framework.

“We thought together with the team about what we could do to involve the team even more in organizational changes or changes in communication, in collaboration, and so on and so forth, and then we set up the so-called Change Panel.”

5.2.5.6 Summary Interview 5

Transforming the company into a self-managed organization is at the core of a far-reaching cultural and structural realignment. There were several reasons for this: on the one hand, the founders were convinced that sustainable business success could be based not only on the skills of individuals but on a collaborative learning and decision-making process. On the other hand, the company's growth phase had given rise to a new complexity that was difficult to manage with traditional hierarchical structures. In addition, the expectations of new employees, who wanted flexibility and personal responsibility, played a central role.

To achieve these goals, management decided to focus on trust rather than control. This is particularly evident in shifting from rigid hierarchies towards flexible roles and responsibilities. Instead of fixed job descriptions, each employee was given clearly defined areas of responsibility. An essential building block of this change was the introduction of various experiments, which were always designed to be reversed if necessary. For example, working hours were made more flexible so that everyone could now decide for themselves when and where they would work most effectively. An organisation free of work specifications is desired as long as no one is harmed and accessibility for customers and the team is guaranteed, which is the essence of the so-called "no-pain policy." The decision to manage the vacation quota in the form of trust leave was similarly radical. There is no rigid upper limit, but only the requirement that the absence must be coordinated with the team and that project-related obligations must be met. This did not lead to excessive free time but to more conscious planning and greater personal responsibility.

The change to self-management also impacted the internal culture and cohesion within the company. Instead of top-down management, communication, and decision-making were shared among many people. Transparency played a key role in this: important key figures such as sales, costs, and capacity utilization are now visible to all employees. This openness increased understanding of business interrelations and promoted identification with corporate goals. Because employees could not judge some of the key figures, putting more effort into training about financial figures was necessary.

In retrospect, the change was initially difficult in the first phases because it would probably have been necessary to provide more intensive training and slow down the change pace in some areas. For example, more time could have been invested in explaining the key economic figures to employees so that they could better understand the context of their actions. More structured support would also have been helpful when introducing the role models to dispel uncertainties regarding their responsibilities more quickly. Further, stronger team leaders could have been in place in earlier phases, which would have made the transformation smoother. In the end, the owner said that he could have taken some shortcuts in the transformation if he had had the knowledge he gained through the process.

Despite these challenges, the overall gain for the company outweighs them. The decentralized decision-making, combined with clear transparency rules, has led to more engagement and motivation in the team. Many employees no longer feel like interchangeable components but take responsibility for their actions and the success of joint projects.

Ultimately, this transformation shows that a self-managed model can offer a competitive alternative to conventional management structures, particularly in creative and technology-driven industries. The company is able to respond more quickly to market developments, attract talented professionals, and test new ideas. In this respect, the path to self-management represents a sustainable success factor that those in charge would not want to do without, even today, in view of minor oversights in the introductory process. In the end, the owners stated that the transformation was not yet finished. He even said that one will never be finished. Other experiments are planned; other building blocks of the trust offensive are yet to come.

5.2.6 Interview 6: IT Service

5.2.6.1 Introduction

The company featured in this story was founded at the end of the 1990s by two brothers who were still very young at the time. It was clear from the outset that this was not going to be a conventional company. Instead, a company was created that was oriented towards a participative, collaborative way of working right from the start. What began as an agency for websites developed over time into a provider of modern Internet services focusing on intranet solutions, knowledge, task management, consulting, and license sales for Atlassian and Google products.

Today, the company has around 500 employees, is based in Hesse, and has an average age of around 33. Despite the considerable growth over the years, one thing has remained constant: the deeply rooted desire to make decisions together instead of leading from above. This attitude would later become the foundation of a comprehensive transformation - towards a self-governing organization.

5.2.6.2 Rationale for transformation

The roots of the transformation were deeply rooted in the founders' self-image. From the outset, they wanted to avoid making decisions on their own. Instead, they preferred to involve employees in strategic considerations early. A so-called strategy circle was set up even when the company was still small. Important topics were discussed there with long-standing team members - an early form of collective decision-making.

"And when we were still relatively small, 10, 15 people, up to maybe 30, 40, we had a strategy group where we said, here, we'll get a few of the employees who have been here the longest together and discuss important things."

A new chapter began with the introduction of Scrum in 2008. The agile methodology brought with it the first structures of self-organisation in software development. It was not a grand master plan that initiated the change but rather a combination of conviction and practical experience. It quickly became clear that when individual teams work in a well-organised manner, they come up against systemic limits as soon as they have to interact with the rest of the organization. This gave rise to the idea of further developing the entire organisation according to principles of participation and personal responsibility.

Another motivation was realising that traditional management structures did not work in this company. Attempts to introduce a middle management level failed in the face of reality: the appointed managers had no clear tasks and hardly any influence on operational decisions. The actual management remained implicitly with the employees themselves - a circumstance that ultimately led to the conscious decision to transform the organisation according to the principles of self-organization consistently.

"...and once tried to introduce a management level like this. That didn't work at all. They didn't do anything. [...] And there were actually no tasks that these people did in particular. One task was to enter vacation time in a working time recording system. [...] So that was the only management task in this sense. [...]"

And as I said, I think that was in our DNA very early on,, that we considered participation to be important."

The personal attitude of the founders also played an important role. As they themselves came from the operational business, it was never possible for them to take on a purely controlling role. Their decisions were always shaped by their view of day-to-day business, customer experience, and practical problems. This proximity to the operational core laid the foundation for an organization in which responsibility was shared and jointly borne.

5.2.6.3 Planning and Execution of the Transformation

The transformation to a self-managed organization did not occur according to a rigid timetable but in organic steps. What began as an agile experiment in individual teams slowly developed into a comprehensive cultural change. Agile methods such as Scrum and Kanban gradually spread across different teams - not because of a central decision, but because they worked in practice and met with acceptance.

"So, there was no plan, but rather this initial spark in software development, i.e. from the project business, to deal with agile methods. [...] And so the agile methods gradually spread throughout the teams."

It was only when the company exceeded the 150-employee mark that it became clear that a certain structure was essential. There was a lack of overarching coordination, particularly in areas where several teams worked on the same product. The previous, almost anarchic conditions were no longer sufficient to cope with the complexity of the growing business.

"Well, it started at 150 when we realized that we had to do something. We can't say there are no hierarchies, there's just the management and other teams."

During this phase, the idea of establishing circles as an organizational structure emerged - inspired by the principles of sociocracy and collegial leadership. An external

consultant helped to lay the foundations. Thematic management circles were created for finance, IT, HR, strategy, and marketing. These circles consisted of four to seven people who were either elected or found their way into the circle through their professional expertise. Decision-making authority increasingly shifted to these circles, creating a structured yet flexible framework.

"And there are four to seven people in each of the circles, it depends, who then come together from the different units, some of whom are elected, some of whom simply arise naturally because they have some kind of leadership role in the areas."

Important cultural elements such as the corporate vision and values were not defined top-down but developed together as part of an agile process. This process was based on Scrum and consisted of monthly sprints addressing key issues. It dealt with topics such as the abolition of individual target agreements or the clarification of the corporate vision - measures that ultimately formed the foundations of the new organizational form.

"Then we introduced our Agile Org process, as we called it back then. It was based a bit on Scrum. We held monthly sprints and then collected the topics that were on the employees' minds. For example, individual target agreements. That is somehow totally counterproductive. We need to rethink that."

The involvement of employees in these processes was not a mere formality but a lived practice. Decisions were discussed, questioned, and developed further. Self-organization was not imposed but developed. This resulted in a deep understanding and a high level of acceptance of the new form of collaboration. At the same time, this participatory approach enabled continuous learning and adaptation - in line with agile principles.

"I think that's one of the foundations of agility anyway. Inspect and adapt, continuous improvement."

5.2.6.4 Characteristics of the Framework after Transformation

Once the transformation was complete - or at least once the new structures had been established - the company presented itself as a complex network of decentralized units, circles, and lateral roles. There was no traditional hierarchy but rather a large number of self-responsible teams that largely managed content and organization independently.

A central element was the circular structure, which ran across the line organization and enabled cross-departmental coordination. In addition, some so-called service owners or team coaches came from the Scrum world and were responsible for specific subject areas. However, these roles were not intended as traditional management positions but as serving roles within the teams.

"Our snapshot contains many elements that you will find in collegial leadership. For example, a circular organization with links. [...] But we come a little bit from the Scrum world and, in addition to the Scrum Master, we also have a Product Owner, or rather we call them Service Owners in the service teams [...]. These, let's say, lateral leadership roles have become established with us [...]."

At the same time, people began to take a closer look at methods such as systemic consensus or objection integration - decision-making processes that aim to achieve consensus and integrate different perspectives. There was a lot of talk about leadership tasks, but a conscious effort was made to avoid defining leaders in the traditional sense. Instead, leadership was seen as a dynamic task that could be distributed according to the situation and context. However, self-organization was not a fixed goal, but a mobile state. The company continued to see itself as a learning organization that was constantly evolving. New ideas, such as the Loop Approach, were introduced and tested. The aim was always to strengthen the autonomy of the teams without overburdening them. After all, self-organization also meant greater responsibility for each individual - a challenge that not everyone mastered equally easily.

"...we've recently been talking about new developments, so we're looking at the loop approach. And it deals a little more explicitly with how a team can actually organize itself on its own, without a scrum master."

Particularly noticeable was the strong feedback culture. Regular reflection, transparent communication, and collegial criticism have become integral to everyday working life. Teams learned to resolve conflicts constructively and make decisions in the interests of the whole. The ability to regulate oneself became a core competence of the organization.

5.2.6.5 Reflections on the transformation process

Looking back on the transformation, I see that there were not only successes but also blind spots. One of the biggest challenges was that the introduction of leadership roles such as scrum masters or team coaches hindered rather than promoted self-organization in some cases. Instead of making themselves superfluous, these roles often took on permanent responsibility for moderation and structure - which led to teams relying on them instead of taking responsibility themselves.

"Because there was always the Scrum Master and he was the lead dancer. And when in doubt, if people didn't know how the meeting should run, the scrum master would stand up and say, 'I'll moderate now. He always moderated retrospectives, actually, the scrum master."

From today's perspective, we should have thought earlier about what genuine self-organization could look like - without permanent dependence on moderating roles. New approaches, such as the Loop Approach (Klein et al., 2019), have since been considered to close this gap precisely. The aim was now to enable teams to create structures and processes independently, without having to rely on external "leaders". Another finding was that self-organization does not automatically mean that external intervention is no longer necessary. There were certainly situations in which the management had to intervene - for example, in dysfunctional teams or structural disruptions in collaboration. Such interventions were seen as delicate but necessary

measures. It was important to communicate these transparently and always act in the interests of the overall organization.

"So there is also a moment when you think about having to intervene.
And I think you need a way to legitimize that. [...]"

The reflection also led to the conclusion that self-organization places high demands on everyone involved. Taking on responsibility is demanding - both professionally and interpersonally. That is why we have started to invest more in soft skills, feedback culture, and leadership training.

"I would say that it is relatively demanding, yes, to take responsibility for yourself, for your team and also to practise leadership, I would say. And it's also our turn to say, okay, we need to invest more, money and time, in, yes, leadership work, yes, training people in how it works. [...]"
But of course something like feedback culture, soft skills in general, yes, I think you have to deal with teaching them."

5.2.6.6 Summary Interview 6

The company's transformation into a self-managed organization was not a linear process - but a path full of experiments, insights, and further developments. What began as the participative attitude of two young founders grew over the course of two decades into a complex, dynamic system that is now characterized by circles, lateral roles, and decentralized decision-making.

At the same time, the organization remains in motion. It does not see itself as a closed model but as a living system that is constantly adapting and learning. The principles of transparency, shared responsibility, and continuous improvement form the foundation for this system - and show that self-organization is more than just a method: it is an attitude. And even if not all decisions were perfect, one central conviction remains: Good decisions are made together - not in a quiet chamber, but through dialogue, debate, and trust in the expertise of many.

5.2.7 Interview 7: IT Service

5.2.7.1 Introduction

Introduction: The company and its origins

In 1999, two friends founded a company that initially focused on traditional software development. Partnerships quickly developed with other software manufacturers, including a company in Karlsruhe and a US provider. The company specialised in the development of add-on products and the classic implementation business, which involved the acquisition and support of customers, the introduction and adaptation of software, and the development of technical interfaces. Support and ongoing consulting were also part of the portfolio.

After around ten years, a strategic change took place. The company wanted to become less dependent on external partners and began to develop its own software solutions. The result was a project portfolio management tool for medium-sized companies with up to 1,000 employees. This resulted in three main business areas: CRM solutions for SMEs, project portfolio management for major customers via a US partner, and the company's own tool for SMEs. Although united under one organizational umbrella, these areas operated independently. One of these units was to undergo one of the most far-reaching changes in the company's history: the introduction of Holacracy, a model for self-organization.

5.2.7.2 Rationale for transformation

The decision to switch to a self-managed organization was not primarily based on a strategic vision but on specific internal challenges. In the affected division, with around 40 employees at the time, clearly noticeable silos had developed - particularly between consulting and development. This division into two camps led to animosity, misunderstandings, and a noticeable loss of efficiency.

"That means our production area, which was only 40 people in size at the time, already had silos. In particular, two silos between consulting and development. [...] And animosities developed between these departments. And that wasn't good for the organization."

The management realized that the separation between the roles of "consulting" and "development" made little sense in practice. Many employees had skills in both areas, but the rigid structure prevented them from using this potential. The search for a solution led to the work "Reinventing Organizations" by Frederic Laloux. The approach of self-organized organizations described therein fascinated the company management.

"And it was during this time that I came across Frederic Laloux. It's a great book, Reinventing Organizations, which I found very fascinating. And in this book, I always asked myself, okay, that sounds really nice, isn't there something that you could look at specifically here, how to actually create such a self-organized system."

The concept of Holacracy, as developed by Brian Robertson, was particularly appealing. The idea of defining roles instead of positions and giving space to several roles in one person seemed promising. This could break up entrenched structures and enable new dynamics. A theoretical framework was quickly found, and implementation was soon to follow. The structure seemed like a response to the perceived weaknesses within the company. Laloux's inspiration and Brian Robertson's idea sparked an initial fire that quickly spread to the management level.

"And he had already written about Brian Robertson in the book, who was about to release this Holacracy. [...] And when it came out, I was one of the first to get it and I read it, found it totally plausible, it was good. And I then shared these findings with the protagonists in this department, and we talked about it in detail and everyone thought it wasn't so bad."

The desire for change was not only functional but also emotional. The management not only wanted to eliminate an organizational bottleneck but also raise the quality of collaboration to a new level. The silos were an expression of an old world in which role models were rigid and limited. Holacracy, on the other hand, promised flexibility, participation, and clarity - without falling back into traditional forms of hierarchy.

"[...] that the division of roles and responsibilities in particular, and the idea that one person can take on several roles, was actually the solution to our problem."

5.2.7.3 Planning and Execution of the Transformation

Implementation of the Holacracy model began in 2016, following an intensive preparation phase. First, the management team discussed the concept in detail. An external consultancy was then brought in to conduct a two-day Holacracy training course. The introduction was not dictated from above but was based on consensus: all those involved were asked whether they had any fundamental objections to a pilot test with Holacracy. No one spoke out against it.

"We then did two days of Holacracy training with ourselves and afterwards we actually came to a consensus decision. In other words, we asked everyone whether they thought there was anything against us giving Holacracy a try and it was unanimously accepted."

The formal act followed the signing of the Holacracy constitution in version 4. Then, the head of the unit signed it alone, thereby transferring his entire decision-making power to the constitution. The transformation began with an initial structure defined by the head. External consultants accompanied the first governance and tactical meetings, provided feedback, and moderated some of the meetings.

"So we had advice and held workshops and then started with an initial structure, which I specified at the time. And the further support was that we were then supported by the external consultancy for the first tacticals and governance. In other words, they attended many of these meetings remotely in the form of video conferences and either moderated them themselves or watched how we did it and then gave us feedback on how we implemented these meetings."

The company was a pioneer in a field that was hardly tried and tested at the time. There was correspondingly little support available. The big insight is that more should

have been invested in training and coaching to avoid typical mistakes. One of these mistakes was that roles were misunderstood. One employee created her own roles that did not serve the purpose of the organization. In the Holacracy structure, no one felt explicitly responsible for intervening. In a traditional hierarchy, this would have been noticed more quickly. The fundamental understanding of roles also posed a challenge: In Holacracy, you are not only responsible for the points that are explicitly in your role but for everything that serves the organizational purpose. This principle was often misunderstood or not taken to heart at first.

"The second is that in a Holacracy role, you don't just do what is written on the role, you have to do everything or should do everything in order to fulfil the purpose of the organization. That is,....also, simply an inversion of the normal understanding. So normally you say, what's not written on it, you can't touch. [...] At the same time, however, this liberal approach is sometimes completely misunderstood."

Another stumbling block was the knowledge gap between the facilitators. While some facilitators led confidently through the meetings, a lack of experience elsewhere hampered progress. In at least one case, a proposal was blocked for purely formal reasons, which was not Holacracy's intention. The work and common purpose of the organization should always be at the forefront, not mere compliance with rules.

"Well, it was very rare, but I also experienced once how someone with increased Holacracy know-how blocked a proposal from someone else in the sense of 'but you can't do that'. And it was only over the course of time that this feeling emerged that you typically very rarely argue with Holacracy formalities, but actually always have in mind that first and foremost the work has to be done and that the company is pursuing its purpose. That everything is subordinate to that."

The meetings themselves, especially the tactical meetings, seemed wooden at the beginning. The rigid structure required discipline, which was not easy for everyone to follow. Only with increasing experience did the flexibility and understanding of the power of these new formats grow.

Another problem was that although the roles were defined, their implementation was not always consistently monitored. Some employees felt overwhelmed, and others took advantage of the new freedom without considering the common purpose. This led to individual decisions or actions being taken in isolation, without sufficient communication or coordination with other role-holders. The management recognized that a balance between autonomy and responsibility was necessary.

"I didn't realize that at the time. Others noticed it but then didn't feel responsible for dealing with it somehow. It would have been noticed more quickly in a traditional hierarchy [...] I think it was noticed, but nobody really felt responsible."

5.2.7.4 Characteristics of the Framework After Transformation

After the learning phase, Holacracy established itself as a fixed practice in the unit in question. Tactical meetings became one of the most important tools for the entire organization. Their clear structure, focused agenda, and direct communication were also adopted in other company areas, albeit without the full introduction of Holacracy.

"Specifically, one of the most powerful tools of Holacracy is the Tactical Meeting. I now recommend this to so many organizations and have presented it many times and simply conducting the agenda of a tactical meeting in any organization, profit or non-profit, is extremely helpful."

Role responsibilities became increasingly clear. The separation between "role" and "soul" was better understood: Holacracy governs work, not interpersonal relationships. The latter had to be considered separately. For example, a mentor role was created for new employees to look after their well-being - an aspect that had to be regulated outside the constitution.

"I would like to use the example of someone new joining the organization, someone like that is accompanied by us, so there is now a mentor role. This mentor role simply ensures that the person is doing

well and that they find their feet. It's now a person-to-person relationship."

Nevertheless, a certain tension remained: German legislation requires a formal manager. The role of "employee lead" was introduced to meet this requirement without completely abandoning the principles of Holacracy. However, the question "Who is my boss?" remained deeply embedded in the culture.

What was particularly remarkable was how the informal hierarchies shifted. People who previously had no management roles took on responsibility, while others stepped back. The model created new opportunities for development - especially for younger employees. At the same time, the question remained as to how to ensure that people do not fall back into their usual patterns in the long term.

The organization developed different maturity levels for introducing Holacracy in the various units. While one unit applied the principles almost completely, others relied on individual elements such as tactical meetings or role-defined responsibilities. The result was a differentiated system that took account of the respective contexts.

"That's why we're now running at a higher level of maturity in one unit and at a lower level in the others, I would say."

5.2.7.5 Reflections on the transformation process

The reflection showed that Holacracy is not a sure-fire success. The enthusiasm for the introductory phase had not reached all employees. The original expectation that 80% would actively participate gave way to reality: around 5% actually did.

"My expectation was actually that 80% of people would be involved in shaping and collaborating and in the meantime, ... so I realized that this was far too high and that it is actually 5% and not 80% and that is probably still good."

The cultural imprint - oriented towards authority, in need of security, and waiting for clear instructions - remained a strong opponent to personal responsibility. Many employees continued to look for one person to tell them what to do. This turned out to

be a deeply rooted pattern that was not easy to dissolve even with Holacracy and has still not been resolved.

"And this issue of who is my boss is something I've been battling for years. I simply realize that it is extremely deeply rooted in the people I deal with. So from our upbringing, from our cultural imprint, it's always ingrained in us: who's the boss here and who do I have to report to?"

The Managing Director's decision to relinquish his Circle Lead role was a particularly logical step. He realized that operational prioritization no longer brought him any energy and made room for a new person. Nevertheless, he remained in the role of managing director and shareholder, which led to a certain ambiguity: Formal power still existed, even if it was deliberately not exercised.

"But the fact is that I am still the managing director and the shareholder, and I notice that people still treat me with caution. [...] I'm always happy when I get open and critical feedback, but it's still rare and I,..... unfortunately, I'm still treated with kid gloves, which I think is stupid, but that's just the way it is."

Dealing with this tension was part of the learning process. It became clear that continuous energy input was necessary to keep the principle of self-responsibility alive. Without active maintenance and further development, the system could easily fall back into old patterns.

"So, the realization for me was that Holacracy is not a sure-fire success, because many people simply always fall back into their basic patterns, as they have learned over decades, the energy influence must be maintained."

Recognizing Holacracy as a well-thought-out system with many solutions was not a given at the beginning. Getting started proved to be difficult due to a lack of knowledge and experience. In retrospect, more investment in training and external support would have significantly accelerated the learning process. One of the biggest challenges was

taking the necessary time to really understand the principles. The beginning was "woody" and required active persistence. Holacracy is not a self-runner - it needs commitment, continuous willingness to learn and targeted support to really unlock the potential and enable a smoother start.

"If we had perhaps invested more money or had more external knowledge, we would have gotten there faster. And I also believe that it would have been quicker for us, and we would have been able to get up and running more quickly."

A key learning in dealing with Holacracy was the clear separation between role and soul. Holacracy is designed to structure work, set priorities, and complete tasks efficiently - but not to regulate interpersonal relationships or personal conflicts. This aspect was hardly taken into account in version 4 in particular. It was only through external consultation that it became clear that emotional and social dynamics needed to be considered separately. Questions such as how to deal with conflicts or personal agreements between employees remained unanswered. This area of tension has still not been fully resolved and requires additional structures outside of the Holacracy constitution

"How do you make agreements between people, i.e. from person to person and not from person to role, i.e. from role to role? That was an issue for us at the time that has not yet been fully resolved. I even believe that it still hasn't been completely resolved."

5.2.7.6 Summary Interview 7

The introduction of Holacracy in one unit of this company was a bold step, born out of concrete problems and a strong vision of better collaboration. The implementation was not free of mistakes, misunderstandings, and setbacks. But the long-term effects show that the model is working - even if not in its perfect form. The organization has learned to reflect on itself, rethink responsibility, and question traditional hierarchies. Holacracy brought clarity to roles, structure to meetings and new opportunities for development. However, it also became clear that cultural change requires time, patience and constant investment.

The question of whether success came despite or because of Holacracy remains open. But from the perspective of those involved, the answer is clear: success was also made possible by Holacracy. And so, the organization remains on its way - not to its destination, but much closer than at the beginning of the journey.

6 Conclusions

6.2 Conclusion

This research has provided insights into transforming German owner-led small and medium-sized enterprises (SMEs) from traditional hierarchical structures to self-managed organizational models (SMOs), with the aim to investigate how German owner-led SMEs have successfully transitioned from conventional hierarchical structures to self-managed organisational models. Through semi-structured interviews with seven business owners who have undergone this transformation, the study has explored the underlying motivations, planning and implementation processes, characteristics of the resulting organizational frameworks, and retrospective evaluations of the change.

6.2.1 *Answering Research Question 1*

What is the rationale of German business owners to transform their business into a self-managed organization?

The findings challenge some assumptions from existing literature. While previous studies often cite external pressures, such as customer demands and technological changes, as primary drivers for organizational change in SMEs (Soderquist et al., 1997), this study found that the transformation toward SMOs was more frequently rooted in the personal philosophies and experiences of the owner-managers. Fundamentally, the decision to shift to an SMO stem from a perceived lack of structure in the existing organization. Many owners recognized inefficiencies and dissatisfaction in their companies, and with little or no structured framework in place, they saw a need for a new system. Instead of adopting traditional hierarchical models, they were drawn to SMOs because these aligned more closely with their values and experiences. This motivation was often reinforced by negative experiences with classical hierarchical models or, conversely, by the absence of any prior management framework at all, especially in younger businesses.

In some cases, external influences also played a role, such as observing successful implementations of Holacracy or similar models in other businesses within their networks. Additionally, internal experiences—like the early adoption of agile methods

in software-related operations—provided a bridge toward fully embracing SMO concepts.

Another strong influence came from exposure to key literature, especially *Reinventing Organizations* (Laloux, 2014), which inspired many owners and helped shape their understanding of alternative organizational models. These literary sources served as a catalyst, prompting deeper reflection and exploration of SMO principles.

Philosophically, many owners held a personal belief in autonomy, decentralized decision-making, and collaboration. They felt that self-organization offered more plausible, satisfying, and empowering answers than traditional structures. This belief system translated into a broader work philosophy, where two owners aimed to reduce or eventually eliminate their operational involvement in the business. Rather than micromanaging daily operations, they preferred to work on the company rather than in the company, using the SMO framework to enable that shift.

Another common factor was growth. As companies expanded, they reached a tipping point, where structure was necessary to manage increased complexity, where SMO was chosen over a top-down hierarchy. Talent attraction also featured prominently in the rationale. Owners saw SMOs as more appealing to younger, highly educated employees who sought autonomy, meaning, and a modern work environment.

In sum, German business owners chose to transform their companies into SMOs primarily due to a combination of missing structure, dissatisfaction with traditional models, philosophical alignment with SMO principles, inspiration from literature and peers, and practical goals like growth management and talent acquisition. The transformation was almost always initiated and driven by the owners themselves, reflecting a highly personal and proactive change agenda.

6.2.2 *Answering Research Question 2*

How did German owner-led small and medium organizations plan and manage the transformation into self-managed organizations?

German owner-led small and medium organizations (SMEs) approached the transformation into self-managed organizations (SMOs) in an informal, iterative, and experience-driven manner, rather than through formal planning processes, which was seen as rather beneficial for the business because they foster collective experience and learning. The transformation often began without structured rollout plans. Instead,

owners and teams opted for an experimental approach, embracing a learning by doing mindset that allowed the SMO to grow organically within the business environment.

One owner used literature not just for self-education but to align and engage employees, one even distributed books like *Reinventing Organizations* (Laloux, 2014) to staff as a conversation starter. Other one noted a lack of existing literature and therefore developed his own methods.

An early component of the transformation for some businesses was reaching consensus with employees. This was sometimes done through informal discussions or, in other cases, more formal mechanisms like signing a constitution. Workshops emerged as a central practice during the initial phase, serving multiple functions: educating employees about SMOs, aligning values and expectations, and defining initial roles and responsibilities within the new organizational model. These sessions were frequently led or supported by external coaches or consultants.

In contrast to earlier assumptions, external consultants played a more significant, even vital role than anticipated. While some firms engaged consultants from the beginning, others only sought help after encountering obstacles or slow progress. Regardless of timing, every business involved ultimately brought in external support, highlighting the significant role coaches played in guiding and sustaining the transformation.

When initiating the actual transformation, companies employed varied approaches. Most started with pilot groups to experiment with SMO principles on a small scale before expanding, while one business attempted a full-company rollout from the start, though in hindsight expressed a preference for a phased approach. Instead of pilot groups, two organizations tested practices such as unlimited vacation or agile methods, with the understanding that failed experiments could be rolled back.

In terms of duration, the shift to an SMO was not quick. Most companies took about five to six years to reach a state they considered transformed. This timeline was consistent across several cases, suggesting that successful transitions require sustained commitment and adaptation over time.

In summary, German owner-led SMEs managed the transformation into self-managed organizations not through rigid planning, but by cultivating a culture of experimentation, consensus, and learning. They balanced organic development with targeted interventions like workshops, coaching, and role clarity, adapting their paths based on experience rather than predefined roadmaps.

6.2.3 *Answering Research Question 3*

What are the characteristics of the SMO framework after the transformation has been finalised?

After completing their transformation into self-managed organizations (SMOs), German owner-led SMEs developed frameworks that shared core features but were often customized to fit their specific needs and values. While some companies adopted Holacracy outright, most created self-developed systems that retained essential holacratic elements such as defined roles, organizational circles, and tension-driven processes. Even those businesses that did not officially label their approach as Holacracy relied heavily on its structures and principles.

These frameworks frequently operated through role-based responsibilities, allowing employees to take ownership of defined functions within circles. These circles served as central units of collaboration, replacing traditional vertical hierarchies with horizontally structured teams that dealt with specific aspects of the business such as sales, marketing, administration, or value creation. The definition and clarity of roles were considered foundational, helping ensure that each team member understood their responsibilities and contribution to the broader organizational purpose.

Another characteristic of the finalized frameworks was their tension-driven nature, meaning that whenever discrepancies between the current and desired states of work arose, termed tensions, they were addressed through structured processes. This mechanism encouraged constant evolution and adaptation. One companies developed similar models under a different terminology, such as the no-pain policy, which functioned similarly by empowering employees to make autonomous decisions as long as they caused no harm to others.

Despite the decentralization, not all authority was relinquished. In two cases, owners retained a commander function, a side-path to intervene when they deemed the system was not functioning optimally. This hybrid characteristic reflects an ongoing negotiation between self-management ideals and the practical needs of leadership oversight, particularly when processes stagnated or teams underperformed (Butsch et al., 2025).

To support these new frameworks, some companies implemented digital tools like Holaspirit (formerly GlassFrog), designed specifically for managing holacratic or similar

systems. These tools helped formalize role definitions, document processes, and support transparency and coordination within the decentralized structure.

However, two businesses found Holacracy, even they have introduced it, lacking in one key area: human connection. They criticized its overly formal and procedural nature for not adequately addressing interpersonal relationships. In response, one companies introduced relational practices such as relationship spaces and non-violent communication methods to foster empathy and emotional awareness alongside structural efficiency.

In summary, the SMO frameworks that emerged after transformation were characterized by decentralized authority, clear role structures, collaborative circles, responsiveness to organizational tensions, and a growing awareness of the need to integrate human connection. Although varied in execution, all frameworks reflected a shared departure from rigid hierarchies toward adaptable, people-centered systems—while acknowledging that the transformation is ongoing, as organizations must continue evolving in response to a changing world.

6.2.4 *Answering Research Question 4*

How would the German owner-led small and medium organisations do something different in the retrospective of the transformation into self-managed organisations?

In retrospect, German owner-led small and medium organizations expressed overall satisfaction with their transformation into self-managed organizations (SMOs), but they also identified clear areas where they would have done things differently. Rather than seeing mistakes as failures, most business owners viewed them as necessary parts of the learning process, essential to fostering a culture and mindset conducive to self-management. Nonetheless, hindsight revealed several practical improvements they would have made.

A recurring reflection across nearly all businesses was the recognition that more emphasis should have been placed on training from the beginning. Owners acknowledged that facilitators were sometimes chosen without fully understanding their roles, and teams were occasionally underprepared to take on leadership or responsibility within the new framework. Some expressed regret about not investing more financially and temporally in foundational education around the SMO principles,

stating that deeper training could have eased the transition and built stronger initial engagement.

One notable regret involved the starting strategy of the transformation. At least one owner who began the process by including all employees simultaneously later recognized that a phased or pilot approach would have been more effective. Starting smaller would have allowed for better learning and adjustment before scaling the new practices across the entire organization.

Another insight emerged around salary determination. In one case, a fully participatory approach led to problems: employees were able to nominate each other for raises without clear criteria, resulting in universal nominations that lacked discernment. This approach generated frustration, leading to the realization that such decisions may be better handled by a balanced group detached from those directly affected.

There were also concerns about the effectiveness of change management. While most owners embraced an experimental approach, believing that transformation must be allowed to evolve, one, in retrospect, felt a more structured change management process could have added needed clarity and preparation. One owner pointed out the lack of employee understanding and even rejection of the system, an issue that could potentially have been mitigated with more intentional communication and training.

Perhaps the most sobering insight was around employee engagement. Several owners reported that their initial expectations for broad involvement were too optimistic. They anticipated high participation rates in the SMO structure but found that, in reality, only a small fraction, for example as low as 5%, were truly engaged. This contradicted prior assumptions and literature suggesting SMOs inherently boost engagement. Some owners questioned whether all employees are actually suited to thrive in a self-managed environment, and one even stated that traditional hierarchies may better expose underperformance, which can remain hidden in a flat structure.

Ultimately, while none of the owners regretted undergoing the transformation, and most affirmed its value, they also acknowledged its ongoing, unfinished nature. They recognized the importance of continual improvement, more deliberate onboarding, and, above all, the need to align employee capabilities and expectations with the demands of a self-managed model.

6.2.5 Synopsis of findings

In the following table findings from the interviews are consolidated per theme and subtheme for a better overview.

Themes	Subthemes		Main Outcome
Research Question 1			
What is the rationale of German business owners to transform their business into a self-managed organization?			
Influence on Transformation Decision	1	Structure	Little management structure before the transformation
	2	Literature	All were triggered by literature, mainly Laloux (2014)
	3	External Influence	Other businesses as example, new employee with SMO experience
	4	Internal Influence	Already use of agile structures
	5	Experience	Little management experience before the transformation
Philosophy behind Transformation Decision	6	Personal Philosophy	Great influence in decision
	7	Work Philosophy	Two wanted to decrease own workload
	8	Initiator	Business Owner was always the initiator
Goal of Transformation	9	Improvement	Improvement was expected because of transformation
	10	Growth	Needed management structure because of growth
	11	Talent attraction	Some expected better talent attraction because of SMO
Research Question 2			
How did German owner-led small and medium organizations plan and manage the transformation into self-managed organizations?			
Initialising of transformation	12	Planning	No business had a formal planning in the process
	13	Literature	Played some role as training or because not existing
	14	Consensus	Some started by reaching consensus with the employees
	15	Workshop	Most initiated with workshops
	16	Role definition	Some started by defining roles
	17	Start	Partial start (pilot groups), one started with all employees
Transformation process	18	Experiment	Some used reversible experiments as a transformation process
	19	Coach	All used a coach or consultant at a certain stage
	20	Road Block	Two faced obstacles, overcame them with coaches
	21	Duration	Duration of transformation: 5-6 years
Research Question 3			
What are the characteristics of the SMO framework after the transformation has been finalised?			
Organizational Framework	22	Holacracy-Like	One business was close to Holacracy (90% similarity)
	23	Self-Developed	Most stated framework was self-developed, but close to Holacracy
	24	Holacracy	Two introduced Holacracy
Characteristics of Framework	25	Commander	Two businesses had parallel a chain of command in place
	26	Tension-Driven	Most businesses work tension-driven (as Holacracy works)
	27	Circles	Most businesses introduced circles (as Holacracy works)
	28	Roles	Most businesses introduced roles (as Holacracy works)
	29	Humanized	Two stated Holacracy is not humanized enough
	30	Software	Software was used to map circles and roles
Research Question 4			
How would the German owner-led small and medium organisations do something different in the retrospective of the transformation into self-managed organisations?			
Result of Transformation	31	Satisfied	Most were satisfied with the outcome
	32	Doubt	One raised concern that failure recognition in hierarchies is easier
Improvement of Transformation	33	Salary - Determination	Fully participatory approach seems not to be the right direction
	34	Training	Training amount before the transformation needs to be high
	35	Start	Start with pilots seems to be a better approach
	36	Change Management	Only one raised concern for better change management
	37	Rejection	One said employees partly rejected SMO
	38	Expectation	Some improvement expectations were not met

Table 10 – Synopsis of findings

6.2.6 *Contribution to Literature*

This study offers a substantial contribution to the academic discourse surrounding self-managed organisations (SMOs) by addressing an area of research that remains significantly underexplored, particularly within the context of small and medium-sized enterprises (SMEs). Existing literature repeatedly emphasises the scarcity of empirical studies on SMO transformations in smaller organisations (Schell and Bischoff 2022, Dobliger and Class 2023, Heilmann et al. 2020). In contrast to the existing research in the SME area, this study is not restricted to a certain framework like Holacracy (Schell and Bischoff, 2022) and examine not the employees as Schell and Bischof (2022) did but the owners of SME's who are the ones who initiate and lead the transformation into and SMO, which was anticipated and confirmed by this study. This makes this study the first of its kind in the area of SME's.

One of the contributions of this research lies in its challenge to prevailing assumptions about the rationale that motivates organisations to adopt self-management. Previous research, for example Lee and Edmondson (2017), position the transition towards self-managed structures within the broader discourse of organisational agility, technological acceleration, and the need for rapid adaptation to changing market environments, which might be valid for larger organisations but not for SME's. However, this study reveals that the rationale in the SME sector stems far more deeply from the personal philosophies, values, and leadership convictions of business owners rather than from external pressures or the perceived necessity to keep pace with technological change. This finding reframes the debate by demonstrating that SMOs may be driven less by competitive exigency and more by normative, human-centric motivations embedded in the worldview of SME founders. Such philosophical grounding differentiates SME motivations from those of larger corporations. This human-centric motivation is further confirmed by owners who stated that in Holacracy 4.0 the humanistic component is missing and therefore humanised their Holacracy-like framework.

A further contribution is the study's empirical clarification of the types of frameworks SMEs adopt when transitioning towards self-management. Prior literature, such as Khoury et al. (2024), argues that the field suffers from conceptual fragmentation due to the coexistence of multiple definitions, terminologies, and operational models for

SMOs and with that a wide spectrum of interpretations regarding what an SMO actually is and how it should be structured. The present research challenges this perspective by demonstrating that the majority of SMEs in this study leaned towards a Holacracy-like framework. Rather than encountering a landscape of owner-constructed systems, the findings indicate a trend towards converging around a limited number of established models. This suggests that fragmentation in research may not reflect actual organisational practice to the extent previously assumed.

Another contribution of this study is its attempt to provide empirical clarity on the appropriateness of SMO's for small or family businesses, which Schell and Bischoff (2022) proposed to investigate. By examining SMEs that consider their transformation largely complete after a time span of minimum 5 to 6 years, this study offers a verification of the appropriateness of SMO's in the SME segment since all owners have confirmed that they are satisfied with the outcome of the transformation. The view on the mature SMO framework helps bridge the gap between prescriptive models found in influential literature such as Laloux (2014) and the lived organisational reality of SMEs, which often diverges from idealised theoretical frameworks. Instead of viewing SMOs as static, fully decentralised systems, the findings portray them as dynamic, continuously evolving entities shaped by iterative experimentation and contextual constraints.

A novel and theoretically relevant insight also emerge in relation to employee fit within SMOs. While existing studies, such as Dobliger and Class (2023), have explored employee perspectives on the suitability of self-managed environments, this study adds the complementary but previously underrepresented stakeholder perspective. It reveals that SME leaders acknowledge that not all employees are suited to the requirements and responsibilities inherent in self-managed structures. This insight carries implications for recruitment, organisational design, and the broader debate about the universality versus contextuality of self-managed approaches. It also challenges the implicit normative assumption present in parts of the literature that SMOs inherently enhance engagement and participation. Instead, the findings suggest a more nuanced reality in which self-management may amplify both engagement for some and disengagement for others. The study thereby contributes to a more balanced academic view that recognises the heterogeneity of employee capabilities, preferences, and behavioural patterns within SMOs, especially from the perspective of the owner.

In terms of transformational process, the study confirmed the view in literature that SME's do not utilize change management processes which is unlike larger entities. The difference is, that SME's do not utilize change management processes by purpose because the owners aim to achieve a lived experience during the transformation together with their employees SMO and with that reach a consent about the introduction of the SMO.

Another compelling contribution to literature arises from the observation that several SMEs maintained, intentionally or unintentionally, a limited chain-of-command channel, even after adopting self-management practices. This hybrid structure—neither fully hierarchical nor fully decentralised—contradicts a core assumption of several existing SMO frameworks, which advocate for entirely flat organisational designs. The discovery calls into question the dichotomous framing often used in academic debates (Foss and Klein 2032, Martela 2023), which characterise organisations as either hierarchical or self-managed. Instead, the findings introduce the concept of hybrid SMOs as a distinct organisational category (Butsch et al., 2025). Such hybrid forms may serve as transitional states or, alternatively, as a stable and pragmatic middle ground that combines clarity of authority with decentralised autonomy. This observation opens an important new line of inquiry into how hybrid governance mechanisms function, evolve, and potentially contribute to organisational performance or resilience and further led to the researcher's proposal of a combined SMO-hierarchical framework, the The Incident Command SMO (Butsch et al., 2025).

In sum, this research expands the existing literature by challenging prevailing assumptions, offering new empirical insights, and proposing theoretical refinements regarding motivations, frameworks, employee fit, and hybrid organisational forms in the context of self-managed SMEs. It provides clarity where ambiguity has persisted, depth where evidence has been scarce, and critical reflection where prior literature has been overly idealistic. By doing so, it significantly advances the academic understanding of SMO transformations and sets a foundation for future empirical, conceptual, and methodological developments in the field.

6.2.7 *Contribution to Practice*

This study provides valuable practical insights for organisations, particularly those within the SME landscape, that are considering or already embarking on a

transformation towards a self-managed organisational model. While existing practitioner literature often presents SMO implementation as an attractive blueprint for increasing employee autonomy, innovation, and organisational adaptability, but fail to deliver an strategy for the transformation process the findings of this research introduce a more grounded and nuanced understanding that can guide owners, consultants, and change facilitators in designing realistic and sustainable transformation pathways. As such, this study contributes to practice by distilling the collective experiences, challenges, and learnings of SME owners into a set of empirically grounded insights that extend beyond the prescriptive promises typically found in popular management literature.

A central contribution of this research is the demonstration that the investigated successful SMO transformations have in common that they are backed by the owner's motivation and the employee's participation in decisions being made in the transformational process. Owners should count with a time span of 5 to 6 years until their business can be considered as transformed.

The empirical evidence suggests that organisations benefit significantly from the involvement of external coaches, who bring not only methodological expertise but also an objective perspective that can mitigate internal biases and guide the early formation of governance structures and communication norms. Since two owners started without coaches, but hired them after facing roadblocks, this finding emphasises that professional facilitation should be understood not as an optional enhancement but as an essential enabler of organisational coherence during the transformation process.

Another practical implication derived from the study concerns the scale and pacing of the transformation. The study shows that beginning with a smaller group of engaged employees can significantly reduce resistance and allow for the controlled testing of processes, tools, and cultural practices. This staged approach enables the organisation to learn and adjust before broader rollout, thereby reducing organisational strain and providing early success stories that help legitimize the transformation across the wider workforce.

The research also underscores the importance of comprehensive training, especially at the beginning of the transformation process as a prerequisite for shifting to self-management. SMEs frequently underestimate the extent to which employees require new competencies—such as conflict resolution, decision-making autonomy, facilitation

skills, and reflexive communication—to operate effectively in a decentralised environment. Findings from this study demonstrate that insufficient training can lead to misunderstandings, frustration, and even rejection of the SMO framework, as employees may feel overwhelmed by expectations, they neither anticipated nor fully understood. By highlighting this gap, the research offers a crucial corrective to the assumption that employees will naturally adapt to a self-managed structure simply because hierarchical constraints are removed. Instead, it positions training as a central operational investment that determines the long-term viability of self-managed practices.

Furthermore, this research contributes a significant practical insight by revealing the need for owners themselves to be informed about the endeavour of transforming into SMO, for example by engaging with SMO literature before initiating the transformation. Unlike larger corporations with dedicated organisational development departments, SME owners serve as the primary drivers of change. The study shows that when owners possess a deep understanding of the theoretical foundations, purpose, and variations of SMO models, they are better equipped to support the transformation, their employees and make informed decisions. In practice, this means that owner-driven transformation might be most effective when rooted in intellectual preparation rather than in an impulsive or purely intuitive desire for change.

An additional contribution to practice relates to the temporal dimension of transformation. Even coaches sometimes imply that significant progress can be achieved rapidly when applying a plan; however, the organisations in this study consistently report that meaningful transformation demands a multi-year commitment, often requiring five years or more before the structure reaches a level of maturity that can truly be classified as self-managed. This finding is crucial for practitioners because it recalibrates expectations and counters the misconception that SMO implementation can deliver quick structural or cultural wins. Instead, the extended time horizon underscores that SMOs are long-term organisational journeys that involve iterative learning cycles, cultural adaptation, and continuous adjustment. For practitioners, this insight serves as a reminder to prepare stakeholders—especially employees and owners—for sustained investment rather than short-term transformation enthusiasm with a plan reaching minimum 5 years ahead.

One of the most practical and sobering contributions of this study concerns employee engagement. While self-management frameworks often advertise enhanced engagement as an inherent feature of decentralised organisational models, the empirical findings indicate that such engagement cannot be assumed. Many SME owners initially expected broad and enthusiastic participation, only to discover that actual engagement levels remained relatively low. This insight has profound implications for practice, as it encourages organisations to adopt a more differentiated view of employee readiness, motivation, and fit. It highlights the necessity of recognising that not all employees will thrive under self-managed conditions and that some may prefer—or even require—the clarity of more traditional hierarchical structures. This recognition enables practitioners to approach SMO design with a realistic understanding of workforce variability, supporting the development of organisational arrangements that accommodate diverse capabilities and comfort levels.

Lastly, the study illuminates the importance of cultural readiness and organisational alignment before structural changes are introduced. Many challenges encountered by the SMEs in this study were less about structural design and more about cultural tensions, differing interpretations of autonomy, and varying levels of psychological ownership among employees. The findings suggest that SMO transformation requires more than the implementation of new governance structures—it demands a fundamental cultural shift towards shared responsibility, transparent communication, and mutual trust. This practical contribution helps frame SMO transformation not as a structural intervention but as a holistic organisational development process that requires intentional cultivation of mindsets, behaviours, and shared meaning.

In summary, this study offers valuable contributions to practice by providing an empirically grounded, unromanticised perspective of what it takes to implement a self-managed organisational model within SMEs. It underscores the necessity of external coaching, staged implementation, comprehensive training, informed leadership, realistic time horizons, and nuanced approaches to employee engagement. By bringing these practical insights to the forefront, the study equips SME owners, consultants, and practitioners with a more reliable and context-sensitive understanding of how SMO transformations succeed, where they struggle, what organisations must consider navigating the journey with clarity and resilience, and finally that the

transformation process will never come to an end, just as an agile system adopts constantly to the setting.

6.2.8 Reflections

Walking the journey of this research has been a demanding endeavour for me as well as for my family. There were times I made giant leaps forward and other times when I made no progress over the weeks. One big challenge for me was that I did not like reading that much prior to the DBA programme. This changed so that today, I always have a book in stock in case I finish the one I am reading. A big obstacle almost in the same direction was that I did also not like writing either, due to my missing skills and especially missing patience. Through the journey of the thesis, I developed my skills and meanwhile love to write, which has led to three scientific papers and a book, I wrote. Especially missing patience further is something I had to cope with, since a thesis takes time to read it repeatedly and change something. I am still very impatient but found ways around it. Another challenge I had to master was the qualitative research methodology. The engineer in me would have conducted the research with a questionnaire and counted the answers, which was my initial proposal, when I applied for the program. The same is valid for the semi-structured interview research, which I underestimated in terms of analyses, and which led to a steep learning curve after I had conducted the interviews. Finally, I was too optimistic when it comes to find the right and enough narrators for the study, which took longer in the end as I thought. Today, I am very thankful that I was allowed into the DBA program, to walk the researcher's journey and to learn about qualitative research methods. Ultimately, I acquired substantial knowledge, engaged in self-reflection, and applied effort. Persisting, not surrendering, and gaining knowledge renders the journey most valuable.

6.3 Transferability of the results

While the research is embedded in a specific cultural and organizational context, that of German, owner-led SMEs, it reveals insights that may be applicable, with caution and adaptation, to other similar business environments.

The rationale for transformation identified in this study—centered around owner-driven initiatives, personal philosophy, dissatisfaction with traditional structures, and the

influence of literature and peer networks—is not unique to Germany. These motivational drivers can be found in other cultural or regional contexts, especially among entrepreneurial or values-driven leadership in small and medium enterprises. Organizations in other countries where owner-managers have a strong personal vision or seek alternatives to hierarchical management may find resonance in these findings. Moreover, the informal and iterative nature of the transformation process, characterized by experimentation, workshops, and gradual adoption of practices like role definition and consensus-building, suggests a broadly applicable model for change that does not rely on large-scale corporate resources. SMEs elsewhere that lack formal change management infrastructures might benefit from the same organic, learning-focused approach observed in this research, particularly if they are willing to embrace trial and error.

The characteristics of the resulting SMO frameworks—especially the use of roles, circles, and tension-driven mechanisms—could be transferable to other contexts, particularly those already familiar with agile, lean, or Holacracy-inspired models. Yet, the hybrid adaptations noted in the findings, including the retention of some hierarchical decision-making power and the humanization of formal structures, underscore the importance of cultural fit and contextual customization. Organizations considering similar transformations must recognize that SMOs are not one-size-fits-all solutions but require tailoring to internal dynamics and employee readiness.

Finally, the retrospective insights provided by the participating SMEs—particularly around the need for early training, realistic expectations about engagement, and the necessity of continuous adaptation—are valuable across industries and geographies. In conclusion, while the findings of this research are rooted in the experiences of a specific group of German SMEs, their insights are transferable in principle to other small and medium enterprises navigating similar transformations. The key lies in understanding the underlying drivers, adapting the process to local conditions, and maintaining a long-term, learning-oriented approach that respects the unique culture and capabilities of each organization.

6.4 Limitations and Further Research

While this research has provided valuable insights into the transformation of German owner-led small and medium enterprises (SMEs) into self-managed organizations

(SMOs), several limitations should be acknowledged. The study has considered only successfully transformed businesses. Findings suggest that the SME owners succeeded in what they did, which might be seen as good practices. To validate the findings, research must be conducted with SMEs where the implementation of an SMO has been unsuccessful, and the causes of failure should be juxtaposed with the results of this study. The challenge of such a study may lie in identifying businesses that have failed and are willing to disclose this information candidly.

Further, all the companies interviewed were in the service industry, with one having a small production facility. Finding self-managed businesses willing to present their stories was difficult. Additionally, finding producing companies was impossible. It might be that only a few production firms are utilizing SMO or none. Having interviewed only services, this study suggests that its findings can only be generalized to the service industry. Further studies in the producing industry are needed to gain insights into these businesses and their path of transformation.

Another limitation is the angle of view, as the narrators were only stakeholders. Employees might see the outcome differently and would put a different light on those businesses. A further empirical study with the same businesses, but with the employees as interviewees or a comparative study with other entities might produce valuable insights.

The focus on German owner-led SMEs narrows the scope and may not fully capture the nuances present in non-owner-led SMEs or larger corporations undergoing similar transformations. Cultural, regulatory, and institutional factors unique to Germany also limit the transferability of insights to other national contexts. Also, the study primarily captures a snapshot in time. The longitudinal dynamics of transformation, including long-term sustainability and evolution of SMOs, were beyond the scope of this research and remain underexplored.

Finally, the relationship between self-managed organizations and formal certification or compliance systems (such as ISO standards) deserves further investigation, particularly in sectors where regulatory requirements may constrain or shape the implementation of SMOs. In conclusion, while this research offers significant contributions to theory and practice, it also opens several promising avenues for further scholarly inquiry.

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8 Appendix

8.2 Publication 1 - Does a self-managed organization leave employees behind: A critical review of the current trend

The following article has been published in the Journal Development and Learning in Organizations (Emerald Publishing), <https://doi.org/10.1108/DLO-10-2024-0322>.

Does a Self-Managed Organization leave employees behind?

A critical review of the current trend

Abstract

Purpose

Organizations need to achieve some level of self-management and delegation to run effectively without constant management oversight, which has led to numerous organizational frameworks and models being developed, including TEAL, Holacracy, the Spaghetti Organization, and the Liberated Firm. As a result, we should consider whether employees desire this, and whether it is a 'new future' or just a passing fad or trend. Another question arising from employee encounters is, do we leave some employees behind as they are not confident, or feel inadequate for the new organizational structures, as they require more direction? This paper reviews the literature to explore and answer these questions.

Design/methodology/approach

This paper reviews the literature on self-management frameworks and models in respect to their potential application and in light of the implication for employees.

Findings

Being self-managed throughout all organisations, as most champions of self-managed frameworks may argue, cannot be the solution if it is only appropriate for a subset of workers. We propose a gradual approach: we should implement self-management where it is acceptable, and employees are interested and capable of engaging in the

transition to new management frameworks. However, we recommend against attempting self-management in situations where it is inappropriate.

Originality

While the transition to self-managed organisations is widely discussed in the literature, as evidenced by the proliferation of organisational models and frameworks, there has been little discussion of the potential for different organisations to apply such frameworks and models in practice, as well as the implications for employees. Given that the business world is not homogeneous, it is reasonable to assume that not all people are suitable for working without a boss, and this must be considered.

Introduction

In a business organizational context, self-management frameworks like TEAL, Holacracy, or Liberated Firm need employees with specific characteristics and abilities, such as people with extraversion and openness, rather than people more prone to self-doubt and worry (Doblinger and Class, 2023). Such frameworks would also support high-performing employees who experience improved work while low-performers struggle (Lee, 2024). Researchers estimate the share of people with imposter episodes in their lives to be 70% (Sakulku and Alexander, 2011). In the workplace, 3 out of 5 employees feel inadequate or question their competence, with disproportionately more younger employees and women having self-doubt (Franklin, 2022). This leaves an estimated share of more than 40% of suitable employees to fill the personnel needs of self-managed organizations, or almost 60%, which are not if one considers just one characteristic. Those numbers suggest that the call for new organizational behaviour and structure for the change into self-management as a new standard, might leave those who do not fulfil those characteristics and abilities needed for such frameworks behind. It further suggests that the prediction that all organizations will be TEAL in the future is more of a wish than a reality. The introduction of a self-managed organization (SMO) aims to support the needs of the employees and support their behaviour; it can be doubted that this aim includes all employees, but it is certain that it will discourage many of them. An effortless way to deal with this is to ask employees who do not want the new organizational structure, or believe they are incapable of dealing with it, to leave the company as Zappos, a well-known SMO-utilizing US company did when they introduced Holacracy (Bernstein et al., 2016). On the contrary, should an SMO be the organizational structure the business society should be aiming for if employees are left behind? Further, if some employees are not suited for an SMO, which ones? Are those with special knowledge, like IT tech, who are believed to be more introverted? Are the 6% of adults with an ADHD diagnosis (Staley et al., 2023) suitable for an SMO? Moreover, do we need a separate management framework for this fraction of knowledge workers if that is not the case? Alternatively, well-known SMO-utilizing companies silently quit their experiments. Zappos ended Holacracy, and Oticon stopped their Spaghetti Organization (Foss and Klein, 2023).

With this reflection, we want to raise awareness of the risks of dividing the working population into self-managed and those who are not. We also want to examine some statistics.

Employee Characteristics for Self-Management Organizations

Employees working in self-managed organizations require the following specific characteristics and abilities to thrive due to the lack of traditional hierarchical structures and the absence of managers.

- **Self-Discipline**
Self-control and self-regulation are strongly linked to job performance, especially in high-autonomy roles.
- **Intrinsic Motivation**
Environments fostering autonomy support intrinsic motivation, which leads to better performance and satisfaction.
- **Emotional Intelligence**
Emotional intelligence contributes significantly to team cohesion and effectiveness.
- **Adaptability and Flexibility**
Adaptable employees perform better in dynamic and unpredictable environments.
- **Communication Skills**
Communication competency is critical to team performance, especially in decentralized work environments.
- **Decision-Making Ability**
Decision-making skills, including critical thinking and judgment, help navigating the decentralized organization.
- **Accountability**
Accountable individuals contribute more effectively to team goals and exhibit higher levels of job satisfaction.
- **Learning Agility**
Individuals with high learning agility are more successful in roles that require constant change and learning.

On the contrary, employees with the following characteristics, or issues, are not their first choice, when it comes to work for a self-managed organization.

- **Dependent or Follower**

Many employees exhibit high dependency on leaders, showing little initiative or critical thinking and preferring to follow without questioning.

- **Lack of Self-Control**

6% of all adults diagnosed with ADHD, which significantly impacts self-control, largely due to deficits in executive functioning, which is responsible for planning, decision-making, and regulating impulses (Staley et al., 2023).

- **Imposter**

Employees who experience imposter syndrome, can have feelings of self-doubt, which prevents people from making decisions.

- **Emotional unawareness**

Employees commonly believe they are self-aware, however, in practice they might lack self-awareness, which is a core component of emotional intelligence.

- **Change-Resistant and Inflexible**

Change initiatives often fail due to employee resistance, which can be driven by factors such as fear of the unknown, disruptions to established routines, or lack of trust in leadership.

Conclusion

Leaving all the euphoria behind about a change in management and without being blindfolded to the potential shortcomings, we must admit that a very large share of the population would not be able to work in a self-managed organization. Founders of startups may find the right people to fill their needs because the nature of most startups requires skills needed for a self-managed organization anyway. For established businesses, this endeavour is much more difficult.

In the end, becoming self-managed throughout all businesses, as most supporters for self-managed frameworks may advocate, cannot be the solution if it is not suitable for the workers, but rather for a small portion of them.

We suggest an incremental approach: We should introduce self-management where it is reasonable and where the employees are willing and capable of participating in the new management framework. However, we also suggest not aiming for self-management in areas where it is not appropriate.

Further, many more empirical studies are needed to prove whether the concept of self-managed organization fits into today's business world and, if so, how. Many theoretical suggestions on how this can work exist, with highly praised examples like Zappos and Oticon, which have already stopped their experiment of self-management.

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8.3 Publication 2 - Decision-Making in Organizational Crisis in Traditional and Self-Managed Organizations: Towards a hybrid approach

The following article has been published in the Journal Strategic HR Review (Emerald Publishing), <https://doi.org/10.1108/SHR-04-2025-0041>

Decision-Making in Organizational Crisis in Traditional and Self-Managed Organizations: Towards a hybrid approach

Introduction

An organizational crisis can be characterized as an overwhelming situation that may exceed the available capacities and resources to manage it effectively. Unlike routine emergencies at a workplace, crises are often transboundary in nature, crossing natural, organizational, administrative, or geopolitical boundaries, which may seriously threaten the organization's survival (Ansell et al., 2010).

In these situations, the structure and levels within an organization may profoundly influence its capacity to make decisions quickly and effectively. On one end of the spectrum are traditionally managed organizations, which rely on centralized authority and transparent chains of command and hierarchical decision making, which can slow decision making. On the other end are self-managed organizations (SMO), known for their flat hierarchies with fast and distributed decision-making (Butsch and Bell, 2025). An organizational crisis threatening the organization's survival demands rapid action, and both traditional and SMOs offer distinct advantages and challenges when dealing with crisis. Each model offers distinct advantages and challenges, especially when a crisis demands rapid action.

Traditional hierarchies, with clear lines of authority, could rapidly marshal resources when leaders recognize the urgency. Self-managed teams may detect and respond to crises earlier because frontline employees are empowered to act without waiting for top-down directives (Duchek, 2020). However, with both traditional and self-managed structures having both advantages and limitations, there is a case for considering how both could be leveraged for an optimum organizational design. This paper explores

the benefits and drawbacks of decision-makings within SMOs, compared to traditional structures within times of crisis, and advocates for a hybrid model that allows organizations to dynamically shift between self-management and centralized command depending on the situation.

Decision-Making in Organizational Crisis

Traditional Management

Typically, traditional management organizations operate within a hierarchical framework where decision-making powers are concentrated at the top levels of leadership. This structure allows for a transparent chain of command that can mitigate role ambiguity, particularly during times of crisis when decisive leadership is important. The concentration of decision-making at higher management levels enables top leaders to maintain extensive visibility across the organization, facilitating efficient resource allocation among various units and teams (Mihalache et al., 2013). Further, the ability of top leaders to focus on strategic leadership can create an environment where operational tasks can be effectively managed, allowing organizations to navigate challenges in crises more efficiently compared to less hierarchical systems. However, the same mechanisms that centralize power can also form bottlenecks when lower-level decisions can be impeded if teams must await managerial approval. Further, information about a specific situation and the status of possible countermeasures to crises mostly have the same way up the chain as the commands run down the chain, which can cause delays.

However, formal crisis planning can influence speed in traditional organizations. Established organizations frequently develop detailed contingency plans that outline escalation procedures and chain-of-command protocols. If such plans are updated and rehearsed regularly, employees know whom to alert and what to do. Such predictability and clarity can neutralize hierarchical drag and enable faster mobilization of resources. Nevertheless, crises often entail unexpected factors that can deviate from scripted routines. In such situations, a top-down plan might not offer the leeway for rapid improvisation. In brief, while centralized coordination can excel in mass mobilizations, it can slow down frontline action and jeopardize leader overload if not enough autonomy is delegated.

Self-Managed Organization

Effective crisis management is essential for organizational resilience. SMOs may effectively deal with this by offering a decentralized approach that enhances agility and responsiveness (Makhanya and Vezi-Magigaba, 2025). SMOs distribute authority across self-organizing teams, empowering employees with clearly defined roles and decision-making capabilities. This structure can reduce bottlenecks and enables swift responses during crises, as individuals can act within their domains without awaiting top-down directives and approvals. By eliminating reliance on singular leaders, SMOs can make informed, timely decisions in uncertain situations (Makhanya and Vezi-Magigaba, 2025).

A significant advantage of self-management during crises is the emphasis on flexibility and role adaptability. In self-managed systems, exemplified by organizations like Zappos, formal roles are intentionally designed to evolve through structured governance meetings, allowing teams to adjust responsibilities as new issues emerge (Lee and Edmondson, 2017). This process supports the continuous refinement of organizational structure based on operational realities. While Lee and Edmondson (2017) do not explicitly address crisis response, such mechanisms of dynamic role revision can be interpreted as enhancing an organization's capacity to respond quickly to unforeseen challenges by ensuring that decision-making authority and responsibilities remain fluid and responsive.

A key feature of SMOs is decentralized decision-making, which has, in contrast to top-down hierarchies, considerable discretion over daily operations and crisis responses, which can, at the same time, create problems when a crisis cuts across several functions or teams and the overlapping decision domains making alignment difficult. Depending on how decisions are made in an SMO, majority bases, consent-driven, or another decision-finding method, it can slow down a reaction, especially where a quick response is needed, such as after a cyber-attack or an accident. A consensual-oriented decision-making process can significantly lengthen the process of finding a response to a situation where speed is of the highest priority (Gentry, 1982).

Another determinant of speed in autonomous environments might be psychological. Autonomous teams tend to be high in ownership, which drives them to move energetically. On the one hand, this shared responsibility tends to lead to threats being spotted early and intervention happening early (Duchek, 2020); on the other hand, the autonomy that accelerates decisions may lead frontline employees to feel anxious when they are suddenly faced with life-or-death decisions or enormous organizational

risks. Overall, SMOs can be very quick, depending on the nature of the crises and depending on lines of communication, understanding of the escalation path, culture, and decision-making process.

A Hybrid Approach

Self-managed frameworks like Teal, Holacracy, Loop Approach, and others are 'all-in' when it comes to autonomous work environments and do not promote a scenario of a fallback into a traditional chain of command situations even though that might be a better solution for a certain situation. Further, most scholars either support a fully autonomous and self-managed framework or not, with others promoting an incremental approach to the SMO, which might be seen as a hybrid approach but is not as flexible as it needs to be.

A flexible organization cannot rely on the weakness of its operating system. A flexible business operation system has to offer the possibility to change from a weak position to the optimal alignment for the current situation. This may be a crisis or an opportunity that needs to be synchronized with many resources or tackling the situation decentralized. The latter is the optimal environment for an SMO. When it comes to a major crisis or opportunity, the system needs to be able to switch from an SMO to a chain of command system, and back, when the situation is appropriate.

We suggest, therefore, if utilizing a self-managed framework as a hybrid operating system with the flexibility of utilizing both the decentralized decision-making of an SMO that can deliver speed via frontline empowerment, in combination with the advantages of a traditional management framework that delivers decision-making power concentrated at the top levels with appropriate contingency plans and chain-of-command protocols, establishing a flexible cross-unit collaboration. The design of this framework needs to be flexible so that the transition from SMO status to classic management and back or from a traditional or the other way is a natural process backed by all employees.

Conclusion and Future Research

Whilst, we have discussed the opportunities and drawbacks of both traditional and self-managed organizational structures in terms of crisis and advocated for a hybrid approach, it is not yet clear what a hybrid approach to crisis management may look like. One possibility might be to extend, for example, the constitution of a Holacracy

framework and include a part of a traditional framework. It could also be designed from scratch and completely renamed. However, future research could explore the hybrid model, and empirical research could explore its potential and efficiency.

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8.4 Coding Table

For reference the full coding table is included on the following pages. The Analyses is structured according to the research questions. In the first row the table shows the research question, in the next one the keywords from the interview, after that quotes from the relevant passages of the interview and after that, the corresponding quote.

Narrator 1 & 2, RQ 1

Analyses	1 - IT Service	Quotes	Code	2 - Financial Service	Quotes	Code
The rationale of the business owner for the transformation into a self-managed organization	Did not have much structure,	and it was clear to me that I needed some kind of structure	Structure	Not satisfied with the way how the company was managed in the company he was employed before founding his own business	and there were many things that bothered me, among them the fact that decisions were made where the competence was no longer there.	Personal Philosophy
	Scale up	If we then have 25, 30 employees, then it all just doesn't work with me as a manager	Growth	In the business he was employed he felt lack of efficiency and unsatisfied employees. Wanted to make it better than the companies he worked for	So, from my experience, there were major inefficiencies and great dissatisfaction. I didn't want either of those things, so I changed them.	Experience
	Agile Workshop with Microsoft with other companies which were self-managed	I then saw that this is not a fantasy, but that there are companies from the Microsoft ecosystem, other partners, who are obviously already living this	External Influence	Believes in giving more autonomy increases productivity and satisfaction	And I believe that you get the most out of people for the company, while at the same time achieving the highest level of satisfaction, if you give them greater autonomy	Personal Philosophy
	Wanted to include resilience, flexibility, distributed knowledge, etc.	The speedboat: agile, adaptable	Improvement	Talent attraction and retention	Most of the younger people, university graduates, were enthusiastic because it captured the spirit of the times	Talent attraction
	Felt that he would not be able to manage the company with traditional management system	Okay, self-organization somehow provides answers that were more plausible to me than a classic organizational structure.	Personal Philosophy	Started to give impulses	And then I thought, okay, that's how I want to do it, that sounds very coherent to me	Initiator
	Read the book of Laloux, which gave him the final impulse	I then read Reinventing Organizations by Laloux and then immersed myself	Literature	Read the book of Laloux, which gave him the final impulse	And then a friend gave me the book Reinventing Organizations. And then I thought, okay, that's what I want to do	Literature
	Wanted to stop working operationally in the company	I also made it transparent that my goal is to leave all operational roles by the end of 2025.	Work Philosophy			
	Talent attraction and retention	The issue of skilled labor shortages, yes, somehow you have to offer people something different than what they already know	Talent attraction			
	Started to give impulses	In 2017, when we were eleven or twelve employees, I started a process, a goal-setting process	Initiator			

Narrator 1 & 2, RQ 2

Analyses	1 - IT Service	Quotes	Code	2 - Financial Service	Quotes	Code
Planning and managing the transformation into self-managed organizations	Started without a plan	we'll just start now and see what happens, what questions arise	Planning	Started without a plan	And then it was a kind of learning by doing.	Planning
				shared the Teal book with employees and they agreed to start	Then I gave the book to each employee and said, in four weeks let's talk about whether we want to do this here.	Literature
	Hired a coach from the start	and then with external support we hired a coach who had already accompanied a client for three or four years, and I then brought her on as a consultant	Coach	Came to standstill after one year	Then at some point we came to a standstill	Road-Block
	Started with only part of the organization, the transformation team	And so that we can get to know how it actually works, we simply start working together as a transformation team.	Start	Hired a coach then to get further and introduced Circle-Structure with coach	then we got external coaching and then we started to introduce the principles of circle orientation	Coach
				Read further Books (das kollegial geführte Unternehmen, Loop Approach	She recommended several books to us. I don't know, but I bought three or four books on the subject back then.	Literature
	Introduction self-management during workshop with coach	And 2021 was the official starting signal, the journey to the Next Land, a two-day off-site organized with a consulting firm	Workshop	Introduction during 2 day workshop with coach	In the first workshop we had with her, we spent two days building the organization the way we wanted it to be, that was quite good	Workshop
	Transformation took 5 years	What I hear again and again and I would agree with that, the transformation takes five years	Duration	Started with a positive discussion in the Leadership	Okay, everyone agreed that we should try it, then we said, okay, let's do it now.	Consensus
	There was not much hierarchy before the transformation	We didn't have a hierarchy yet. With 16 employees, I was the managing director, the only disciplinary superior, there were no teams, no team leaders.	Structure			

Narrator 1 & 2, RQ 3 & RQ 4

Analyses	1 - IT Service	Quotes	Code	2 - Financial Service	Quotes	Code
What are the characteristics of the SMO framework after the transformation has been finalized?	Self-made framework close to Holacracy (90%).	We have found that we actually have 90 percent coverage, as defined in Holacracy	Holacracy-Like	Self-made framework close to the content of the book "das kollegial geführte Unternehmen" including New Work with agile elements	Well, I would say we had, but when it comes to these categories, [...] I would tend to say it is most likely in the direction of New Work with agile elements.	Self-Developed
	Tension-Driven	I would say that we are a self-organized company that works in a tension-based and role-based manner within a circular structure	Tension-Driven	Circles, with circle leads and facilitator (like Holacracy)	And then there are, so to speak, that's why there are different circles, then there are steering circles [...] support circles such as sales, marketing, administration, IT [...] and then there are the value creation circles	Circles
	Role based	we said, okay, we want to empower everyone to bring in their own roles.	Roles			
	Includes a part for interpersonal relations	The relationship space is essential. And tension-based work is actually NVC [non-violent communication], namely formulating a request based on an observation about a feeling, about an unmet need.	Humanized			
	Circles, with circle leads and facilitator (like Holacracy)	We all work together in this circle	Circles			
	Using Holaspirt and Glasfrog	Right from the start, we introduced Holaspirt, which is like GlasFrog, which comes from the Holacracy world, into the tool.	Software			
Analyses	1 - IT Service	Quotes	Code	2 - Financial Service	Quotes	Code
How would the organization do something different in the retrospective of the transformation into self-managed organizations?	Not much	I believe it's a culture, an attitude, that needs to develop. That can only develop if you make mistakes. I believe you gain nothing if you don't go through those mistakes.	Satisfied	Not much		Satisfied
	Holacracy does not take care of the interpersonal relations and the owner should have brought much more attention to that from the start	It is misunderstood that Holacracy only describes the control space, the operational space, and says nothing about relationship space and individual space	Humanized	The topic wages should have taken better care off during introduction of the SME-Framework	The topic of salary was quite exciting. We handled it through a consensus process. There was still some frustration. [...] We made mistakes at the beginning, but that wasn't a big deal; in the end, it was a learning process.	Salary - Determination
				Was not happy with all employees but has no idea how to sort this	I had no good recipe for how to deal with it when the performance of individuals is not right [...] I still don't have a solution for that. I find it difficult. There are radical companies that say the bottom 5-10% are laid off every year.	Expectations

Narrator 3 & 4, RQ 1

Analyses	3- Digital Media	Quotes	Code	4- Production and Service	Quotes	Code
The rationale of the business owner for the transformation into a self-managed organization	Did not have much structure	So that classical, hierarchically organized company, we never had that.	Structure	Needed new products, a better sales process	We need new products, we need better distribution	Improvement
	Scale up	And when you grow quickly, people join,.....and that was the moment when I said.....this classic management.....you don't actually need that	Growth	Needed an organisation which attracts jung candidates	and we need an organizational form that attracts skilled workers, young skilled workers	Talent attraction
	Had contact to others in his business bubble and talked about New Work and other stuff	There was already a Future Leadership Camp somewhere in the East. Somewhere around 40 or 50 crazy people met there.	External Influence	Found that one person on top of the organization could not handle the complexity	It was somehow also clear that we needed a system that would move away from the big boss at the top who gives instructions to those below and instead put the individual employees in the foreground.	Personal Philosophy
	Problems should be solved where they arise and not delegated to a supervisor	The basic principles that problems are best solved where they arise are the same everywhere	Personal Philosophy	CEO came from a business with holacracy	I have already worked in a company that was organized holographically	External Influence
				Read the book of Loop-Approach, which gave him the final impulse	I have also read the Loop Approach and I think there are a lot of good things in it that you can use	Literature
	Read the book of Laloux, which gave him the final impulse	And that's when I started reading Frédéric Laloux and a lot of other books on the subject of organizational form	Literature	Owner has taken someone else on board to introduce SMO	So it was of course also because they had already taken me on board with the idea for the holacracy	Initiator
	The owner read a lot, and found Holacracy to be the solution to his problems	then I read about Holacracy [...] and then I realized, as I said, that holacracy is actually very close to how we actually work anyway	Literature			
	Started to give impulses	The very first thing I did was think about what sociocracy is, then I read about Holacracy	Initiator			

Narrator 3 & 4, RQ 2

Analyses	3- Digital Media	Quotes	Code	4- Production and Service	Quotes	Code
Planning and managing the transformation into self-managed organizations	Started without having a clear plan	And then I said, okay, let's give it a try.	Planning	Started without a real transformation plan	Yes. So we introduced it like this, we actually first dealt with the concept of responsive organization	Planning
	Owner started himself to create roles	And then we started writing down roles.	Roles	Hired a coach from the start	We brought in two consultants who have a small consulting firm in Switzerland and Munich	Coach
	Hired a coach then to get further	Who is the perfect consultant? And we hired him	Coach	Did not start practically	yes, everyone was there, every production employee, everyone.	Start
	Realized that it was not as easy as thought to introduce SMO	and then we quickly realized that we also needed support from outside.	Road-Block	Introduction during workshop with coach	and they then did these workshops with us.	Workshop
	Started with only part of the organization, the transformation team	We trained them there, 10 or 12 people. For two days.	Start	Transformation took 5 years	We then introduced the first Tactical Meetings in September 2019, [...] and then officially started the rollout	Duration
	Introduction during 2 day workshop with coach	[The coach] joined us for a two or three-day workshop and join us again for the introduction.	Workshop	There was not much hierarchy before the transformation	Managers who truly did not saw themselves or behaved as leaders, so we didn't have a good leadership culture."	Structure
	Transformation took 6 years	Well, the company has been around since 2001 and a few years ago, I would say roughly six	Duration			

Narrator 3 & 4, RQ 3 & 4

Analyses	3- Digital Media	Quotes	Code	4- Production and Service	Quotes	Code
What are the characteristics of the SMO framework after the transformation has been finalized?	Holacracy	The [Holacracy] Constitution is what the Constitution is and we have not changed the rules	Holacracy	Holacracy with own elements from New Work und Agile	We have noticed that it works well for us when we combine different methods from different New Work elements	Holacracy-Like
	Role-Based	No matter where, it's about role clarity. So I said, okay, greatest common denominator, role clarity, so we need to clarify what roles there actually are, let's write them down.	Roles	Role based	And the system of roles in particular made a lot of sense to us.	Roles
	Circles, with circle leads and facilitator (like Holacracy)	And the circles are basically the bracket where people meet to discuss a topic	Circles	Holacracy constitution with own elements	We actually ratified the Constitution just recently, a month ago, but also our own Constitution. We haven't adopted it word for word.	Holacracy-Like
	Owner still the boss	My job is to constantly beat the creeping bureaucratization out of the company and to draw attention	Commander	Circles, with circle leads and facilitator (like Holacracy)	But in our case, the Circle Lead is now also there to conduct feedback discussions.	Circles
	Has started with PowerPoint but recognized that it need a software	And then I created a free account with Holoaspirit because it didn't cost anything or 5 euros a month or something like that for one.	Software	Using Holoaspirit and Glasfrog	Holoaspirit, we used to have GlasFrog and now we have been using Holoaspirit for at least two years	Software
How would the organization do something different in the retrospective of the transformation into self-managed organizations?	Some employees did not understand the new organisation or did not want to understand	There are definitely people who don't understand it, don't want to understand it, reject it, so there is a dialogue about responsibility	Rejection	Would start with a pilot and not with the whole company	So I would definitely start with a pilot. I would start in an area	Partial Start
	Employees were not trained enough to act a circle lead or facilitator	Others were chosen as facilitators because they did not understand the importance of facilitating	Training	Would start being prepared better	I would definitely put more thought into what it actually entails from the beginning, what skills are required, and I would probably spend a bit more time preparing.	Training
				Would start with more change management and prepare better	I would implement much better change management from the beginning	Change Management

Narrator 5 & 6, RQ 1

Analyses	5 - Digital Media	Quotes	Code	6 - Digital Media, Software	Quotes	Code
The rationale of the business owner for the transformation into a self-managed organization	Did not have much structure,	When I joined, there were only three or four of us. And it went quite well.	Structure	Did not have much structure	Well, I would say before, for the first 10 years, we worked somehow. [...] There were no major structures.	Structure
	Scale up	In 2016 or so, I think we had 108% growth or so in sales" [Narrator 5] "So with 30, 40, even 50 people you can still manage it somehow....we grew further....we were then under 200, around 150, I'd say	Scale up	Growth	So now there's more than just the management. But as I said, with 500 people, it's impossible without structure.	Growth
	Did not want to work in the business but on the business	So working on the company instead of working in the company, at least as a target image	Work Philosophy	Founders were very young and without experience in leading a business when they formed the company.	My brother was 17 when he founded the company. We were relatively young and didn't have much previous experience in running a business.	Experience
	Felt that problems can better be solved by the frontline	Let's talk to them about solutions instead of just acting from above, so to speak.	Personal Philosophy	There was no plan to introduce SMO, it came somehow from Software development.	No, there wasn't a plan, but rather there was this initial spark in software development, i.e. from the project business, to engage with agile methods.	Internal Influence
	Various literature has gained interest to start with a SMO	We exchanged literature back and forth, dealing with topics like bottleneck-focused strategies and so on.	Literature	Needed to bring separate teams who did scrum together	There are now three or four teams working on one product. They have zero alignment. How is that supposed to work? They need some kind of coordination unit.	Improvement
	Needed to change because it did not work out as it was	My partner and I then decided to pivot hard, as we would say today	Initiator	Came from Agile to SMO	And then at some point, around 2008, we started to deal with the topic of Scrum	Internal Influence
				An external coach has suggested collegial leadership	And then we looked into it a bit, asked around a bit, and then looked for an external consultant who advised us on collegial leadership.	Coach
				The founders were more the type of person who let others contribute in decision-making	And I think it's a bit of a question of personality that we said, okay, let's decide together with others, not alone	Personal Philosophy
				Before tried to introduce a management-layer during growth, but that did not work out	Now we need something like department or team leaders. And we tried to introduce such a management level. That didn't work at all.	Experience
				Needed to change because it did not work out as it was	So actually, the entry point was sociocracy. Because this sociocratic circular organization,... yes, that looked appealing to us.	Initiator

Narrator 5 & 6, RQ 2

Analyses	5 - Digital Media	Quotes	Code	6 - Digital Media, Software	Quotes	Code
Planning and managing the transformation into self-managed organizations	Started without a plan	It wasn't so structured in the beginning [the transformation]	Planning	Planning	But it was never officially set or anything like that. And therefore, as I said, there was no rollout plan or anything like that.	Planning
	Started with a trust offensive	That is, we launched what we later called a trust offensive...	Experiment	Had already an agile-org process in place and developed from there in 2008	Then we introduced our Agile Org process, as we called it back then. It was somewhat based on Scrum.	Experiment
	Other offensives followed, like vacation	And then one of the experiments was our trust vacation, i.e. unlimited vacation.	Experiment	Hired a coach to get further in 2018 / 2019	And then we looked into it a bit, asked around a bit and then looked for an external consultant	Coach
	Hired a coach then to get further in a very late stage (for communication and leadership)	Exactly, so on the one hand, for the communication aspect, we have a communications coach and leadership coach who has been supporting us for about a year and a half.	Coach	Introduced Circle-Structure with coach deriving from Sociocracy at first then from "kollegial geführte Unternehmen" (German book)	So, actually, the starting point was sociocracy. Because we liked this sociocratic circular organization... yes, that looked appealing to us [...] And then someone came along and said, yes, of course, collegial leadership also integrated the circular organization as a method.	Literature
	Started practically by defining roles	That means, okay, we have clearly described the roles	Role definition	Developed first SMO-structures themselves, due to lack on literature (2008)	Back then, there was no literature on agile management or anything like that. We developed it all ourselves.	Literature
	Transformation took 6 years	That was around 2018, it started	Duration	Started with a participation platform and removed individual goals in favour of common goals	And then we developed a participation platform where we abolished individual target agreements, for example.	Experiment
	Reached an agreement	We have obtained a commitment from the people, on a very personal basis, first of all	Consensus			

Narrator 5 & 6, RQ 3 & 4

Analyses	5 - Digital Media	Quotes	Code	6 - Digital Media, Software	Quotes	Code
What are the characteristics of the SMO framework after the transformation has been finalized?	Own framework with elements from Holacracy and other frameworks	No, we don't have a playbook that we can apply and overlay right now. Instead, we gather information, look at what might suit us... and test it as part of these experiments.	Self-Developed	Self-made framework with elements of Sociocracy and Agile	That's why I wouldn't say that this is, I don't know, a blueprint that I would make, but rather it has developed from the Scrum teams with the lateral leadership roles towards collegial circle organizations	Self-Developed
	No-Pain driven (tension-based), Role based	Our most important guiding principle is the no-pain policy. This simply states that everyone can, in principle, take any degree of freedom when it comes to working hours, work location, vacation, whatever, as long as no pain is caused.	Tension-Driven	The CEO's still intervene, if they have the feeling, that things don't work in a circle	For example, the last intervention wasn't that long ago. My partner said, there's a marketing team here that doesn't work well.	Commander
	Change-Panel, Pay-Panel are like circles	There is a pay panel, which is a committee of five or six people who have different roles in the company.	Circles			
	Role based	That means, okay, we have clearly described the roles	Roles	Circles, with circle leads and facilitator (like Holacracy)	And there are in each circle, [...] it depends, four to seven people in it, who then come together from the different units	Circles
				New tendency is Loop Approach	We are now talking about new developments,that we are dealing with the loop approach	Literature
Analyses	5 - Digital Media	Quotes	Code	6 - Digital Media, Software	Quotes	Code
How would the organization do something different in the retrospective of the transformation into self-managed organizations?	Not much	I would say that some things you only learn when you experience them	Satisfied	Not much	We have not arrived at a certain system, but we are still searching and trying to improve things	Satisfied
	Team lead would have needed more coaching	...for example, we had placed value on having strong team leads earlier... actually... staffing this level of responsibility of the various tech teams so that they are leaders...	Training	Scrum-Masters did partially moderate the team meetings, but should not have done that. Needed to have taken out of this role -> SMO would have developed better then	We should have done things differently earlier. Tell the Scrum Master even more. Here, you're here, by the way, to make yourself redundant.	Training
				Misses that not all employees take on responsibilities equally	I would say that it is quite demanding, yes, to take responsibility for yourself, for your team and also to practice leadership, I would say.	Expectation

Narrator 7, RQ 1

Analyses	7 - Software and IT	Quotes	Code
The rationale of the business owner for the transformation into a self-managed organization	Wanted to reduce the silo creation in one of the product verticals between Consulting and Development to improve	When our production department was only 40 people back then, there were already silos	Improvement
	Looking to solve the situation that people from different department did not speak to each other	And animosities developed between these departments. And that wasn't good for the organization.	Improvement
	Felt that employees could be more / do more than they do in the actual position / department	We then discussed the matter and found that this division is not really clear and unambiguous.	Improvement
	Read the book of Laloux, which gave him the impulse	And during this time, I came across Frederic Laloux. It's a beautiful book, Reinventing Organizations.	Literature
	Laloux wrote about Holacracy, which the business owner read	And in the book he had already written about Brian Robertson, who was about to release this Holacracy	Literature
	Found the differentiation between role and function would help	I remember that in particular the division of roles and responsibilities and the idea that one person can take on several roles was actually the solution to our problem	Improvement
	Introduced an initial Structure, preselected by the owner	and then we started with an initial structure, which I then specified at that time	Initiator

Narrator 7, RQ 2

Analyses	7 - Software and IT	Quotes	Code
Planing and managing the transformation into self-managed organizations	No transformation planning	I can remember well that we found a theoretical solution together and that we were all fine with it and then started the implementation process.	Planning
	Started with a positive discussion in the Leadership	That is, we asked everyone whether there was anything against us trying Holacracy, and this was unanimously accepted.	Consensus
	Decided to start with Holacracy after a two day workshop	We then did two days of Holacracy training and then we actually reached a consensus decision.	Workshop
	Hired a coach from the start	We then brought in our external help, which means a management consultancy	Coach
	Started with signature of the Holacracy constitution	And then in 2016 the constitution was signed, which, as is so nice with Holacracy	Consensus
	Consultants supported tactical and governance meetings over a period of time	And the further support was that we were then supported by the external consultants with the first tactics and governances	Coach

Narrator 7, RQ 3 & 4

Analyses	7 - Software and IT	Quotes	Code
What are the characteristics of the SMO framework after the transformation has been finalized?	Holacracy	I actually like Holacracy because it is actually very well thought out.	Holacracy
	Tension-Driven	It's actually like Holacracy because it is actually very well thought out.	Tension-Driven
	Role-Based	that in a Holacracy role you do not just do what is written on the role, but must or should do everything to fulfill the organizational purpose	Roles
	Circles, with circle leads and facilitator (like Holacracy)	Does this person tell me what to do or does my Lead Link, or my Circle Lead, tell me what to do	Circles
	Holacracy does not take care of the interpersonal relations and the owner should have brought much more attention to that from the start	How do you reach agreements between people, that is, from person to person and not from [...] role to role? That was an issue for us back then that hasn't been fully resolved. I even believe it still hasn't been fully resolved.	Humanized
Analyses	7 - Software and IT	Quotes	Code
How would the organization do something different in the retrospective of the transformation into self-managed organizations?	Should have used more and the right consultancy to get more training	I would say one of my biggest realizations was that I probably should have spent more money back then to get more training and get deeper into it	Training
	One Person created her own kingdom in the organization, which was not recognized -> a hierarchy would have seen that	In a classic hierarchy, it would have been noticed more quickly that someone was just doing nonsense	Doubt
	Illusion was that 80% of people have self-drive and want to create. Reality is more 5%	My perception, my expectation was that 80% of the people would be involved and contribute and now, ... I realized that this was much too high and that in reality it is 5% and not 80% and that is probably still good	Expection