



SELF-MANAGEMENT CULTURE IN MANAGING CONTEMPORARY ORGANIZATIONS

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ABSTRACT

Most organizations' success relies heavily on their culture, policies, and work environment tailored for employees. This paper examines the concept of a self-management culture as a change strategy in modern organizational management and its effects on individual employee performance. Self-management involves individuals controlling their behavior by setting personal standards, assessing their performance, and applying consequences based on self-assessment. Emerging self-management initiatives strategically support organizational goals related to innovation, competitiveness, and sustainable productivity. These initiatives embody a revolutionary approach that moves away from traditional hierarchies and boss-subordinate relationships, instead relying on principles, agreements, team decisions, and peer negotiations to allocate responsibilities—effectively replacing conventional structures. Qualitative research provided the data for this study. Prior studies suggest that lean organizational structures facilitate value creation, waste reduction, highly skilled teams, collaboration, a mission-driven philosophy, and outsourcing. A self-management culture acts as a normative glue and a critical element for organizational survival through practices such as colleague letters of understanding, conflict resolution, honoring commitments, thorough consultation, collective mission statements, team involvement, internal competition, vacation policies, ad hoc meetings, budgeting, and forecasting. The study finds that the high expenses associated with traditional management, including numerous overheads, often harm organizational financial performance. This insight has led to a shift toward self-management as a cost-effective and productivity-boosting strategy.

Keywords: self-management, organizational design, lean structure, self-management culture

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INTRODUCTION

With emerging changes in the work environment, self-management has become an effective alternative for any organization to compete sustainably with traditional hierarchical organizations. These traditional setups rely on productivity, work processes, strategy formulation and implementation, and successful cross-border return on investment. Many organizations have adopted self-management practices that operate without a managerial hierarchy, leading to improved performance through continuous operations. Today, strategic reliance on self-management involves trusting employees and relinquishing control, which is often maintained in



hierarchical traditional organizations for task execution (Robert, 2021). This is facilitated through peer accountability, and performance issues are sustainably managed by individual freedom (Gino, Staats, Hall, & Chang, 2013).

The success factors of self-management include implementing appropriate organizational design and structure for sustainable competitive advantage (Okoro, Nebo, & Nwosu, 2017). Organizational design shapes how the organization operates, focusing on aspects such as team formation, decision-making procedures, shift patterns, and channels of communication, all aimed at achieving organizational goals. This study serves as a resource for identifying self-management practices that have transformed the organization and have become a strategic alternative to the traditional organizational hierarchy. The rationale for this study is based on the idea that, since there is no universally effective way to structure organizations, organizational leaders need to consider either maintaining hierarchical structures or adopting self-management initiatives using lean structures.

LITERATURE REVIEW

Contemporary academic ideas emphasize that a lean structure supporting self-management is a strategy to address global market challenges and increasing demands for product or service quality (Villalba-Diez & Ordieres-Meré, 2016). For example, the Theory of Constraints (TOC), developed by Eliyahu M. Goldratt and Jeff Cox in 1992, provides tools that change agents need to manage constraints and maximize organizational profit effectively. It views businesses as a network of processes that transform inputs into saleable outputs (Goldratt & Cox, 1992). It suggests that all complex systems, especially manufacturing processes, have interconnected activities that function as constraints. The importance of TOC is that every organization faces at least one constraint that must be overcome to improve performance.

The justification for TOC in the manufacturing process or organizational design is that it aligns with lean thinking to increase value and reduce costs, thereby supporting effective organizational sustainability. Both lean thinking and TOC agree that an organization must change to realign itself (Rattner, 2006). This theory is relevant because it applies to both the manufacturing and service sectors, leading to significant improvements when the five-step processes are adopted to strengthen weak links in achieving organizational goals. Therefore, lean thinking helps identify existing constraints in organizational processes involved in producing goods and services that do not add value for consumers. At the same time, TOC is useful in driving the change process until these limitations are eliminated.

The concept of self-management is rooted in libertarian philosophy, which lacks supervisory control over the organization's affairs, allowing the organization to operate productively without a boss. Supporting this, Woodcock (2004) describes libertarianism as an approach to maximize autonomy, emphasizing voluntary associations such as freedom of association and freedom of choice. Applying this philosophy has enabled workers to be independently innovative, with job responsibilities personally defined. Two key factors for success are that purchasing decisions are made through consultation with experts and that the reward system is based on peer evaluation (Gino et al., 2013). A self-management organization is governed by principles that prohibit forced interactions among workers, enabling voluntary participation. Respect for commitments also plays a crucial role, serving as a sustainable tool for the organization's self-management (de Morree, 2017).



In a self-managing organization, no report is handled based on hierarchy; instead, set rules and agreements are collectively established. The organizational structure of self-management is determined by the workers, which prevents a boss-subordinate relationship. Self-management skills are characteristics that help employees feel more productive and effective at work. Examples include problem-solving, resisting stress, communicating clearly, managing time, strengthening memory, and exercising regularly. Therefore, a self-management organization is characterized as a workplace built on mutual respect and collective accountability.

Many organizations, such as Morningstar in the food industry, Zappos in online retail, Blinkist in startup services, Buurtzorg in nursing and home care, Semco in industrial equipment, and Favi in the auto parts industry (Howel, 2001), have rejected traditional hierarchical management structures due to the high costs of management and have transitioned to self-management. Research has shown that the management hierarchy imposes a heavy tax burden on most organizations due to overhead costs, indicating that the cost of managing increases as organizations grow (Howel, 2001). For example, a manager overseeing finance, planning, and human resources is responsible for keeping the organization afloat. Although they earn a salary four times that of frontline employees, the direct management costs would be significantly higher, making management expensive for organizations. Traditional management hierarchies are gradually being abandoned due to increasing risks and rushed decisions, which often lead to unfair judgments of business performance. Additionally, as the decision-maker's power becomes uncontrollable, their decisions are often unworkable due to the concentration of power in the manager. It should also be noted that a multi-tiered management structure has many layers, resulting in slower responses and impeding managers' eagerness to exercise authority; instead, they are hindered in expediting decision-making in organizations. Therefore, management is associated with the high costs of tyranny, which disempower lower-level employees in traditional hierarchical organizations.

Organizational design influences task performance and provides a structure for coordinating work effectively and efficiently. It serves as a channel for managing workflows and tasks effectively (Burton & Obel, 2018). Therefore, the organizational design suitable for self-managing organizations is organic organizational design. In contrast, the structure that offers a competitive advantage to the networked organization is known as a lean structure. This contrasts with traditional structures (such as functional, divisional, or matrix structures), which are more appropriate in environments with moderate uncertainty and stability (Anand & Daft, 2007). Additionally, scholars believe that market network structures (lean structures) influence participants and require organizational structures to align with strategy to address challenges effectively (Perez-Valls et al., 2015; Burton et al., 2011). Consequently, organizational success is measurable because lean management facilitates task execution. Researchers have shown that customer-oriented configurations and value streams are achieved through organizational structure (Haider & Mirza, 2015; Womack & Jones, 2003). The lean structure of a self-managing organization demonstrates that organizational design should align work structure, culture, people, work processes, leadership, and practices to support the achievement of strategic goals (Burton & Obel, 2018).

Lean structure enables self-management successes based on the following:

Value creation

The lean structure used by self-managing organizations such as Morning Star, Buurtzorg, and



Semco enables them to create value with minimal resources. The company prioritizes delivering value based on the organization's value stream. In contrast, traditional organizational structures rely on functional departments and supervisors to execute tasks, with each worker focused on their specific job.

Waste elimination and improvement in work processes

Employees are responsible for eliminating waste and improving work processes to make the organization more efficient. At the same time, traditional structures, such as functional or divisional models, do not enable this.

Highly skilled workers for problem-solving

Workers are highly skilled, flexible, and possess strong problem-solving capabilities in daily operations. They bring unique skills along with a strong sense of responsibility and personal ownership of the organization. The presence of diverse skills and varying skill levels among workers makes their contributions important for improving efficiency within the organization.

Mission-focused self-management

This structure permits a self-managing approach, as the organization is characterized as a mission-focused self-management company. Traditional structures do not have this level of focus on task implementation.

Work team collaboration

Decisions are made by a self-managed work team that regularly meets to generate new ideas and solutions for emerging problems in the organization. This approach does not apply to traditional structures in which decisions are made by top management.

Outsourcing

A lean structure allows organizations to outsource non-core functions to experts amid environmental changes, thereby providing a competitive advantage in the market. It is a flexible framework that helps organizations adapt to emerging challenges. Clearly, a lean structure promotes strategic business operations and emphasizes the environment, strategy, flexibility, and adaptation to market change. A lean structure implies that traditional organizational structures are competition-driven and unable to make quick decisions. Therefore, a lean, self-managed structure is designed based on employees' commitments to enhance productivity, motivate the workforce, and prepare for contingencies.

Culture involves a set of shared understandings, collective ethics, beliefs, behaviors, and values that guide all members of an organization (Shahzad et al., 2012). Culture creates an enabling environment for businesses to operate and be managed effectively; therefore, Tichy (1982) calls it a 'normative glue,' and Schein (1990) views it as a key factor that determines organizational survival. In a modern, dynamic environment, an organization's success or failure depends on the type of culture it develops. For example, organizational self-management culture significantly contributes to success through effective self-management practices. Additionally, Hodgetts and Luthans (2003) note that culture enables the organization's goals, vision, and mission to be carried out by all employees, and it helps guide behavior and decision-making. Thus, the strategic organizational culture that enhances the productivity of self-managed organizations (de Morree,



2017; Hanna, 2019) includes the following practices:

Colleague Letter of Understanding (CLOU)

This is one example of a sustainable culture being practiced within the organization. This document is used to determine who is responsible for a particular task. A self-managing organization uses this framework to outline individual tasks or missions and the commitments made to support the organization's growth. Colleagues use CLOU annually to negotiate commitments based on performance, goals, and deliverables. Therefore, it serves as a means to hold each worker accountable for their commitments. The use of CLOU also facilitates performance feedback among workers.

Conflict resolution

Self-management organizations ensure that conflicts or disagreements between two workers are resolved by the parties involved in accordance with the organization's due process. Other stages of conflict resolution, which the two parties fail to resolve, are handled by third-party advice. If the issue remains unresolved, it is escalated to a panel for guidance. If it persists, the organization's founder or CEO acts as a judge in the conflict based on organizational interests.

Right mind-set

This is a culture that allows the organization to be self-managed based on principles of non-imposition of force on any workers, and workers have the right to voluntary interactions since the company lacks structural hierarchy or a boss.

Respect for commitment

This is a culture of sustainability within a self-managed organization where every worker is responsible for upholding the collective commitment to one another. This serves as a tool for accountability within the company. Therefore, with dedication, workers become resilient in achieving the company's strategic goals.

Collective mission statement

This culture encourages all workers across departments to have a personal commercial mission statement that outlines what each individual is expected to contribute to the organization. The need for a personal commercial mission allows workers, whether experienced or not, to use their initiative in finding solutions to problems. For example, issues like setting up distribution centers to serve customers from distant locations were resolved through collective experience and colleagues' decisions. This provides employees with a clear sense of direction toward contributing to the organization's goals.

Compensation of workers

This is a culture conducted through a peer evaluation committee consisting of four to five members who are responsible for compensating workers' efforts. The self-assessment report is used to showcase workers' performance based on CLOU. Therefore, the committee conducts self-assessments of workers and ensures that wage payments align with the value contributed to the organization's growth by providing recommendations on each request. The compensation committee rotates annually, and each employee has the right to request a salary increase at their discretion. Notably, through CLOU, employee performance reviews and salary letters are made



public, which shows workers who consistently ask for increases more often than others.

Team membership

This culture helps members align their responsibilities, skills, and needs by prioritizing the organization's interests. Self-organizing and governing teams consistently expand their tasks into new areas to identify the types of customers the organization should serve. Additionally, tasks such as planning, performance evaluation, and office space procurement are shared among team members. This shows that every team member takes responsibility for adhering to operating procedures, meeting performance standards, and making strategic contributions to achieve the organization's goals. Therefore, members guide this culture of self-management to develop CLOU on activities to be implemented, etc.

Staffing decisions

The process of hiring employees is initiated by colleagues. This hiring process is triggered when there is a need, a new task, or work overload. It is a culture that enables the right person to be recruited with the appropriate tools to complete the task.

Internal competition

This culture is encouraged in self-management organizations because of differences in competence among workers, which are acknowledged in the compensation plan, where some workers are eligible for higher pay based on their levels of competence. The basis of the competition is not about who gets a task or a job, but about who can contribute more productively. Therefore, workers must research new approaches to doing things to serve their colleagues effectively and efficiently.

Freedom for success

This culture is embedded in self-managed organizations like Morning Star and others, where workers perform better and become more enthusiastic because they are free, and this serves as a tool for hard work within the company.

Adequate consultations

This means that the freedom to spend money must be discussed with coworkers or colleagues. Any business idea must be shared, and younger workers with fresh ideas are encouraged to consult with others for further analysis. In self-management, advice is based on the experience and expertise of others, aiming at collective contributions toward achieving organizational goals.

Ad hoc meeting

This approach is used to address organizational issues and involves assigning a facilitator to solicit feedback on items to include on the meeting agenda for group discussions. In a self-managing organization, meetings typically fall into two categories: tactical and governance. Tactical meetings focus on deciding on strategies, establishing timelines, and monitoring progress toward organizational objectives. Governance ad hoc meetings are held to discuss how the group can work collectively, how to hire staff, and why different teams exist within the organization. In traditional hierarchical organizations, meetings are scheduled with predefined agendas based on the contributions of organizational members. Self-management, therefore, encourages the proactive use of ad hoc meetings as needs arise.



Budgeting and forecasting

This practice fosters a self-managing organization that succeeds, where activities like budgeting and forecasting are kept to a minimum. The reality of the organizational budget is that everyone must understand the company's financial status, making them more agile in operating within budget constraints and avoiding rigid budgeting approaches. This understanding is usually lacking in hierarchical organizational structures, where specific individuals are responsible for budgeting and forecasting.

Vacation policy

It is only in self-managing organizations that the “take what you need vacation policy” applies. This is a mainstream principle that ensures vacation is based on workers' needs, as workers vary in their requirements. This policy best supports workers in doing professional work and completing tasks with coworkers.

Decision making

Self-management organizations adopt the “advice process” in decision-making, which helps overcome flaws caused by parties that can influence decisions and those that cannot. The advice process means that any worker can decide how to spend company money. However, it must meet certain conditions, such as seeking advice from an expert and from workers likely to be affected by the decision. This shows that workers need to be informed, diligent, and empathetic to ensure the right thing is done.

CONCLUSION

Modern management of organizations requires self-management initiatives to promote innovation and gain a competitive advantage across sectors and industries where they are applied. It saves costs by reducing managers' overhead and applying self-management practices to drive organizational productivity, thereby revolutionizing traditional organizational design. A self-management approach is based on value creation, waste elimination, and other components of lean structure. The major strength of self-management has fueled organizational growth, and various organizational cultures are communicated to employees through training. This sustains workers' ethical performance and attitude, promoting productivity, efficiency, and the achievement of organizational self-management goals.

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