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## Autonomous groups between power and empowerment

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2018

### **document version**

Publisher's PDF, also known as Version of record

[Link to publication in VU Research Portal](#)

### **citation for published version (APA)**

Sinteur, I. (2018). *Autonomous groups between power and empowerment*.

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## Chapter 3: Structural empowerment, politics, and the perception of power

### *Abstract*

In the literature about empowerment, the role of power is rather neglected. Drawing on the distinction between psychological and structural empowerment, we develop in this chapter a three dimensional concept of structural empowerment. Then we compare three organizations in terms of (i) level of structural empowerment, (ii) power use, and (iii) dominant power stories. We investigate whether the similarly very strong stories that deny power and emphasize empowerment, effectively hide the real differences in power and power use. How dominant is organizational politics?

### *Introduction*

Organizational strategies as ‘empowerment’, ‘self-leadership’ and ‘self-steering’ (Semler, 1993, 1999, 2003; Laloux, 2014) remain popular in the management literature, as positive effects on job satisfaction, organizational commitment and levels of employee turnover and strain are widely accepted (Spreitzer et al. 1997; Kirkman and Rosen, 1999; Kraimer et al., 1999; Liden et al., 2000; Carless, 2004; Avey et al., 2008; Harris et al., 2009; Seibert et al., 2011; Stewart et al., 2011; Maynard et al., 2012). The effects on performance and effectiveness do give a more mixed picture (Spreitzer et al., 1997; Koberg et al., 1999; Liden et al., 2000; Chen et al., 2007; Seibert et al., 2011; Stewart et al., 2011; Maynard et al., 2012), as the latter appear to be moderated by contextual factors (e.g. group member composition and, particularly important, external leadership) (Stewart et al., 2011). Empowerment is generally defined as *psychological empowerment*, a state of ‘feeling empowered’ – which means among others that organization members feel that they have influence over their work and on their work unit (Spreitzer, 1995). Several antecedents of psychological empowerment have been suggested, and here we focus on *structural empowerment*, defined as the delegation of authority and responsibility to lower levels in the organization (Maynard et al., 2012; Seibert et al., 2004). If structural empowerment is a condition for psychological empowerment, the latter may not be sustainable without the former, and the positive effects of psychological empowerment may disappear over time if no real delegation of authority and responsibility has taken place. It has indeed been suggested that an important reason why experiments with psychological empowerment fail is a lack of real distribution of power (Hardy and Leiba-O’Sullivan, 1998; Harley, 1999). This would imply that organizations may on the long run benefit from structural empowerment.

On the other hand, organizational politics often hides decision making power behind a story about empowering workers and delegating decisions (Argyris, 1998). The more dominant such a story is, the more effectively power relations and decision-making structures can be hidden, making the use of power invisible: *politics* (Hardy and Leiba-O'Sullivan, 1998; Pfeffer, 1981). In such cases, 'real' distribution of power may be unnecessary for psychological empowerment and its positive effects.

This by the way is not only an internal effect. By identifying themselves with modern organizational strategies as empowerment and self-steering, firms suggest an alignment of corporate and societal values, which improves their *external* reputation, irrespective of the firm's performance and even irrespective of the actual implementation of these management techniques (Staw and Epstein, 2000).

However, the concept of structural empowerment is not clearly defined in the literature, and the role of power is hardly investigated (Hardy and Leiba-O'Sullivan, 1998; Boje and Rosile, 2001). In this chapter, we contribute to filling this knowledge gap by comparing three organizations that explicitly claim to have adopted empowering strategies. Whether this will result in psychological empowerment and its positive effects for organizations, may depend on the perception of power distribution and power use by organization members.

This leads to the main questions this chapter aims to answer: *What are the different aspects of structural empowerment? And how do organization members perceive power differences under different conditions of structural empowerment and politics of pervasive empowerment stories?*

### **3.1 Theoretical framework**

#### ***Empowerment***

Empowerment is generally conceived as a psychological state of 'feeling empowered', manifested in four cognitions of a work role, first defined by Thomas and Velthouse (1990): meaningfulness, competence, self-determination, and impact (Spreitzer 1995, 1996; Gagné et al., 1997; Kirkman and Rosen, 1999; Koberg et al., 1999; Kraimer et al., 1999; Liden et al., 2000; Siegall and Gardner, 2000; Gómez and Rosen, 2001; Chen and Klimoski, 2003; Carless, 2004; Laschinger et al., 2004; Hon and Rensvold, 2006; Wang and Lee, 2009; Chen et al., 2007; Avey et al., 2008; Harris et al., 2009; Pieterse et al., 2010; Wallace et al., 2011; Seibert et al., 2011; Maynard et al., 2012), with the positive effects for organizations as mentioned above.

Next to psychological empowerment, the literature distinguishes structural empowerment, which is defined as the delegation of authority and responsibility

to organization members, to the lowest level in an organization where a competent decision can be made (Maynard et al., 2012; Seibert et al., 2004). However, what this exactly means is much less clear. Some see structural empowerment as one of the individual and contextual *antecedents* (Spreitzer, 1996; Kirkman and Rosen, 1999). Others see it as *indicators* of psychological empowerment (Harley, 1999; Seibert et al., 2011). Furthermore, those that see structural empowerment as antecedent of psychological empowerment have diverging views of its meaning. Delegation of authority and responsibility is sometimes combined with high-performance managerial practices, decentralization, and participative decision making (Seibert et al., 2011). Here, structural characteristics and managerial practices are mixed, which is also done by Spreitzer when introducing a new concept ‘social-structural empowerment’ (Spreitzer, 2008), and by Wallace et al. (2011), who conclude that structural empowerment can be measured in terms of empowering leadership climate. Others combine job and organizational characteristics together with “enhancing team members’ senses of personal control” (Kirkman and Rosen, 1999). Again others include “employees’ perception of empowering conditions in the workplace”, conditions being opportunity, information, support, resources, and both “formal power” (arising from flexibility, recognition, discretion, and visibility within the job) and “informal power” (arising from peer networking, sponsor support, political alliances, and subordinate relationships) (Laschinger et al., 2004). However, also these perceptions are often influenced by managerial behavior stimulating employees and groups to believe that they have control over their work (Maynard et al., 2012).

Overall, this suggests that the literature fails to distinguish managerial behavior as antecedent of psychological empowerment from structural antecedents. We propose to define structural empowerment in terms of only three *structural* dimensions (i) Organizational design, (ii) The amount of self-influence, and (iii) Ownership and legal structure.

Quite some research has focused on how to organize work (Breugh, 1985; Loher et al., 1985; McEvoy and Cascio, 1985; Hackman, 1987; Campion et al., 1993; Spreitzer, 1995, 1996; Spreitzer et al., 1999; Doorewaard et al., 2002; Stewart, 2006; Humphrey et al., 2007; Stewart et al., 2011), and several organizational design concepts we consider as potential relevant for enabling structural empowerment. The second element, self-influence, has been introduced to distinguish between the scope of the influence organizational groups have on their own activities: how far goes decision making (and consequently power) within groups (Manz, 1992; Stewart et al., 2011)? Finally, it has been argued that the concept of psychological ownership is rather similar to the concept of psychological empowerment, and also the impacts are similar (Dawkins et al.,

2017). This leads to the question whether legal ownership is an antecedent of psychological ownership, and consequently of psychological empowerment (Pierce et al., 1991).

### ***Power***

Structural empowerment is related to the power distribution within organizations, and is influenced by power. Power is exercised by using various resources to (i) influence the outcome of decision-making processes, to (ii) control access to decision making, and (iii) shape people's perceptions, cognitions and preferences in such a way that they accept a situation as natural, necessary and even optimal. The first two dimensions of this power concept become visible in conflict, whereas the latter prevents conflict from arising in the first place (Hardy and Leiba-O'Sullivan, 1998)<sup>14</sup>.

Power differences are created when designing organizations, and are always present, sometimes advantageous, but often not (Mulder, 1984). Power can be seen as a relation between the more- and the less-powerful. The difference in power, as seen by the less-powerful, is called power distance (Mulder, 1984; Hofstede, 1984). A variety of power relations can be distinguished, which are based on structural positions within the company with more or less power, and on personal power sources (Mulder, 1984; French and Raven, 1959):

- Legitimate power: the less-powerful believes he ought to follow the more-powerful because of the formal position the more-powerful has within the organization.
- Sanction power: the less-powerful believes that the more-powerful has the ability to reward and/or punish him, in material and non-material ways and is therefore willing to follow the more-powerful.
- Expert power: the less-powerful believes the more-powerful has a higher level of skill and/or more relevant information than he has, and is therefore willing to follow him.
- Identification power: the less-powerful feels that he and the more-powerful are similar in important respects.

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<sup>14</sup> They also distinguish a fourth dimension which draws attention to the limits of power. It acknowledges that power is everywhere, also in knowledge, and can hardly be escaped nor controlled by anyone. We would in general agree, but that no-one can control in fact opens the possibility for changing power balances.

Power also emanates from the behavior of people. The more prominent someone is, the more someone is inclined to use power. Prominence is defined as enterprising, highly self-confident, capable, energetic and risk-taking. Besides power use, especially expert power, it is found to relate with upward influence or outward influence (Mulder et al., 1971; 1983; Mulder, 1984) or both (Kanter, 1979)<sup>15</sup>.

In relation to power and empowerment, also the concept of *reciprocal open consultation* is relevant: this defines the space where the less-powerful and the more-powerful are prepared to be persuaded by good arguments. The less power differences in a social system, the more space for reciprocal open consultation (Mulder, 1984). The four power relations and prominence can be used to study the role of power in influencing access to and outcomes of decision-making, as well as the space for open consultation, as perceived by organization members. However, they do not address the role of politics hiding power use.

### ***Politics***

Language, symbols, rituals and ceremonies are used to give meaning to activities and events. Events have a factual component but the meaning of events is open for social interpretations, defining to what extent employees experience the (results of) decisions as justified and legitimate. By organizational politics, actors develop explanations, rationalizations and legitimacy for activities and choices which are often the result of power use (Pfeffer, 1981). The distribution of positions, budgets and other important resources influence the power relations and the decisions. However, political language creates an ideology, a value and belief system, that is taken for granted and serves to justify and legitimize decisions, whereas making the use of power less open and more effective (Ibid.). An ideology provides a valued sense of order and rationality. As a result, grievances may not exist, demands are not made, conflict does not arise, resistance does not occur. Organizational politics is embedded in the stories organization tell about themselves, and these stories help to reproduce everyday beliefs and practices, to produce apparent consensus and acquiescence, replacing visible controls by hidden cultural forms of domination (Hardy and Leiba-O'Sullivan, 1998). It contributes to hegemonic power which strength lies in the self-evidence of established rules which are followed freely, and through which organizational practices are reproduced – without organization members being aware of the power structure underlying these practices (Doorewaard, 1989; Doorewaard and Brouns, 2003). If an organization has a strong empowerment ideology, and claims distribution and delegation of power, and open reciprocal consultation as

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<sup>15</sup> We use positive self-evaluation, professional skill and connectivity (upward and outside influence) together as measurement of individual prominence.

dominant way of interaction, organization members may believe this, even if in fact no decentralization of authority exist.

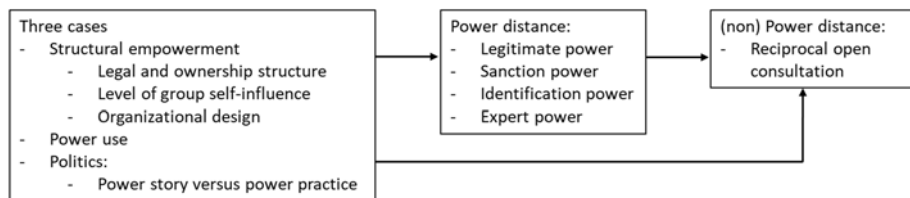
### **Research questions**

Obviously, there is a tension between structural empowerment and politics. In order to answer our leading question (How do organization members perceive power differences under different conditions of structural empowerment and politics of pervasive empowerment stories?), we adopt the following strategy: Firstly, we compare three organizations that explicitly adopted empowering strategies such as self-steering to identify the main characteristics of structural empowerment. Secondly, we analyze how the organizations implemented structural empowerment, and how this affects delegation of authority and responsibility to lower levels in the organizations. Thirdly, as all three have a (very) strong empowerment ideology, we investigate how this influences the perception of the power distance and power use: To what extent are organization members able to distinguish the de facto use of power given these strong ideologies? Are differences in structural empowerment important, or is in the end the dominant story, decisive? <sup>16</sup> Finally we analyze whether personal characteristics influence these effects.

Summarizing, we answer the following questions, at the level of organizations (model 1: Q2, Q3) and at the level of individuals (model 2: Q2, Q3, Q4):

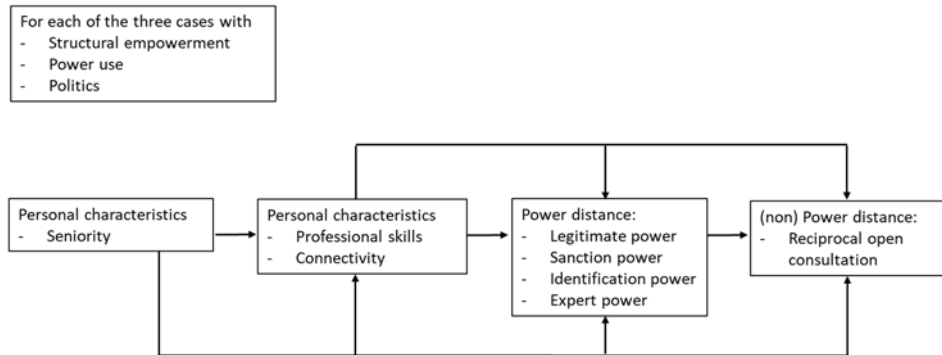
- Q1: What is structural empowerment? What are the characteristics of organizations that support structural empowerment?
- Q2: What is the effect of structural empowerment, and related power use, on the perception of the power distance?
- Q3: What is the effect of politics (the ‘empowerment story’) on the perception of the power distance?
- Q4: How are these effects influenced by personal characteristics?

Figure 3.1: Model 1 Organization level model for chapter 3



<sup>16</sup> The question has been asked to what extent structural empowerment is an antecedent of psychological empowerment, which we address in chapter 4.

Figure 3.2: Model 2 Individual level model for chapter 3



### 3.2 Data and methods

#### Cases

*PART* (est. 1996) is an ICT service provider specializing in online, enterprise solutions and business intelligence, with offices in the Netherlands and in two other European countries. As from 2012 *PART* builds its culture around three core values – happiness, initiative and expertise. *PART* claims to “create a working environment that encourages teamwork, taking responsibility and working from an entrepreneurial spirit. Empowerment leading to employee engagement”. At the time of our study, there are four Dutch subsidiaries. Empowerment within *PART* is based on a ‘cell model’: A cell is an autonomous group, and whenever it has more than 50 employees, it splits to remain informal and flexible (Wintzen, 2006). The ‘cells’ do have a structure with managerial positions.

*SOLV* (est. 1996) delivered project management and consultancy services in information and communication technology (ICT). Self-steering – as it was called within *SOLV* – took place within ‘business projects’ (TVW, 1998a), autonomous groups of highly educated, independent professionals. These groups were autonomous in developing own products and services, with an own profit and loss account, own recruitment and selection, and own acquisition activities. Everyone within the organization could start a business project, after its business plan was approved by a consultative group selected by the new business project itself. Business projects ceased to exist when there was no longer a market for their services or when members no longer enjoyed their work. *SOLV* had no staff departments or secretarial support. It also had no formal functions like account managers, personnel managers, or other specific managers (TVW, 1998a). Depending on the situation people fulfilled certain roles, like that of business project initiator (Dutch: ‘trekker’), but this was always temporary. When *SOLV*



became larger, a holding (TVW) was created that consisted of SOLV and of an increasing number of other companies, some of which were offspring of SOLV activities.

*NEXT* (est. 1999) supports improving the financial function within organizations. It started as an autonomous group within SOLV, but transformed into a subsidiary within TVW (see case SOLV). It had the same organizational principles as SOLV. When TVW was taken over in 2004, most organizational units (among those SOLV) were incorporated, but *NEXT* remained relatively independent – keeping its self-steering principles. In 2009, an ‘employee buyout’ started, which became effective in 2012 when *NEXT* started – still self-steering – with 110 employees, of which 68 had become shareholder.

### ***Data collection***

Data on the organizational structure, on the implementation of structural empowerment and on the use of power are mainly extracted from formal and legal documents, and from interviews and observation. Data on the perception of the power distance and individual prominence come from a survey. Data on the ‘story’ and on organizational politics come from interviews, observation, and from corporate communication and websites. As we have data from different sources, we avoid problems related to single source studies.

We interviewed 23 employees of PART (16% of total staff), and 29 of *NEXT* (27%); and in SOLV we did extensive observations. Interviews were recorded and to a large part transcribed and coded using the following items:

- Ownership
- Formal positions
- Who decides on what, and based on what power sources
- Who controls access to decision making, and based on what power sources
- Organizational design concepts supporting or constraining distribution of authority and responsibility
- Decisions made within the groups – tactical (what is to be done), strategic (why it is to be done), operational (how it is to be done)
- Use of (‘political’) language by employees, reflecting the strength of the company story
- Legitimation of the use of power as provided by employees

In documents, corporate communication, and corporate websites we distinguish labels, ceremonies and stories that are used to manage meaning, and this is combined with interview data to analyze whether these stories influence practice

and possibly hide the use of power and legitimize the consequences of power and dependence.

We used a survey to get a more representative picture on how employees perceive power differences within the organizations. The questionnaire was sent to all employees and had a response of 106, 78, and 130, which is 75%, 74% and 68% of the total staff of PART, NEXT and SOLV respectively. The survey includes the Interaction Analysis Questionnaire IAQ (Mulder, 1984), a validated instrument to measure the power distance. The questionnaire has been adapted somewhat (in consultation with the author), based on the results of a previous study (Sinteur, 2002). The IAQ also includes items to measure professional skill and connectivity of the next-higher, which are dimensions of perceived individual prominence. For this, we also added items based on the Core Self-Evaluation scale (Judge et al., 2003) to measure attributed self-evaluation: locus of control, self-esteem, generalized self-efficacy and neuroticism. As power use relates to personal characteristics, we also collected information about gender<sup>17</sup> and seniority, and the latter is composed of age, years in the companies and years of working experience. The survey data are analyzed using SPSS24 and AMOS24.

### **3.3 Findings: structural empowerment**

We compare the three cases to identify their conditions of structural empowerment in terms of dimensions (i) Organizational design, (ii) The amount of self-influence, and (iii) Ownership and legal structure.

#### ***Ownership and legal structure***

Ownership is hardly discussed in the structural empowerment literature, and therefore we discuss ownership in detail for the three cases.

#### **PART**

Ownership is concentrated as board members have all priority shares and 90% of the normal shares. The remaining 10% of the normal shares are in a foundation (STAK) that issues share certificates that once every year can be bought and sold by employees (Table 3.1).

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<sup>17</sup> Due to the low number of women, the gender variable is not used.

Table 3.1: Distribution of shares PART

|  | Number of persons | Share |
|--|-------------------|-------|
| <b>Priority shares</b>                   |                   |       |
| Board member and founder                 | 1                 | 50%   |
| Board member                             | 1                 | 50%   |
| <b>Normal shares</b>                     |                   |       |
| Board member and founder                 | 1                 | 55.6% |
| Board member                             | 1                 | 29.7% |
| Board member                             | 1                 | 4.7%  |
| STAK                                     |                   | 10%   |
| <b>Share certificates (10% of total)</b> |                   |       |
| Employees                                | 38                | 44%   |
| Managers                                 | 8                 | 34%   |
| Board members                            | 2                 | 22%   |

These share certificates represent financial claims but no voting rights which are executed by the management of STAK (in the Annual General Meeting – AGM). The board has three members, of which one is the founder of the company. STAK has a management of three members: the founder and two elected owners of share certificates. The AGM consists of four members: the three board members and a member of STAK management. When employees leave PART, STAK automatically buys back their certificates. The price of certificates is based on the net annual profits of the last three years.

Almost all legal decisions are made by the board. In many cases the founder of the company has a decisive vote, because he owns the absolute majority of shares. In other important decisions two board members decide, because they own more than 85% of the shares and all priority shares. Owners of share certificates have voting rights in the Annual Meeting (AM), but this is restricted to electing two members of STAK management. Within STAK management, two members each have one vote and the founder and board member has two, so consensus between elected members and board member is needed on how STAK votes in the AGM. But as STAK only owns 10% of the share certificates, owners of share certificates have no decisive influence.

Every subsidiary has a management team consisting of a director and full-time and part-time managers. Employees with a management position, do not have a labor contract different from consultants. They also do not have much legal decision-making power. PART’s legal and ownership structure puts authority and responsibility to a great extent with the board and in many cases with one board member and founder of the company.

## SOLV

TVW consisted (in 2001) of nine (51% up to 100%) subsidiaries. SOLV (100% subsidiary of TVW) was founded (in 1996) by the three ‘webmasters’ of TVW, together with an investor. A fourth webmaster joined in 1997. Different types of shares exist, and as Table 3.2 shows, these shares are to a large extent owned by a few.

Table 3.2: Distribution of shares TVW

|   | Number of persons | Share | Cumulative |
|---|-------------------|-------|------------|
| <b>Priority shares</b>                                    |                   |       |            |
| Founders and webmasters                                   | 3                 | 63%   | 63%        |
| - with investor   | 4                 | 21%   | 84%        |
| - with fourth webmaster                                   | 5                 | 10%   | 94%        |
| - with employee   | 6                 | 6%    | 100%       |
| <b>Normal shares A (SOLV)</b>                             |                   |       |            |
| Founders and webmasters                                   | 3                 | 51.3% | 51.3%      |
| - with investor   | 4                 | 15.6% | 66.9%      |
| - with fourth webmaster                                   | 5                 | 2.8%  | 69.7%      |
| - with 5 employees  | 10                | 12.0% | 81.7%      |
| STAK  | Many              | 18.3% | 100.0%     |
| <b>Normal shares B (all subsidiaries other than SOLV)</b> |                   |       |            |
| Founders and webmasters                                   | 3                 | 42.6% | 42.6%      |
| - with investor   | 4                 | 12.8% | 55.4%      |
| - with fourth webmaster                                   | 5                 | 14.0% | 69.4%      |
| - with 5 employees  | 10                | 12.3% | 81.7%      |
| STAK  | Many              | 18.3% | 100.0%     |
| <b>Employee participation 18.3%</b>                       |                   |       |            |

As much as 18.3% of the A- and B-shares are kept by a foundation (STAK) that holds voting rights. Owners of share certificates only hold financial rights. Share certificates are traded once a year on an internal market among employees with a permanent contract. The price is based on the added value and the net annual profits.

The AGM of priority shareholders consists of the four webmasters, one investor, and one employee. The AGM of shares A consists of the shareholders of shares A (amongst which priority shareholders). And the board of the foundation (STAK) consists of the three founders of SOLV (also webmaster and priority shareholder).

Most of the legal decisions are made by priority shareholders. They decide unanimously or by majority. Owners of shares A or B vote on important decisions

(by 2/3 majority) like changes in statutes, dissolution and merger of the company and appointing directors, all based on a proposal by priority shares' owners. Given the ownership distribution, the three founders have a decisive influence. Ownership and related legal rights do not support distribution of authority and responsibility within SOLV in any way.

### NEXT

NEXT LLC has nine 100% subsidiaries, each having a foundation (STAK) which holds the subsidiaries' shares. The voting right on shares is executed by the management of the foundations. All shares are certified<sup>18</sup>, and share certificates are traded once a year among employees with a permanent contract and employed at least one year. At the time of the study there are 92 owners of share certificates, 79 of which are current employees out of 106 employees. At the first purchase by an owner of share certificates, the price is based on net annual profits, which is based on fiscal rules. At every next purchase the price is decided upon by the owner of the share certificates. Who leaves NEXT is obliged to offer their share certificates for sale after two years. As long as these share certificates are not bought, the former employee remains certificate owner.

Each subsidiary has a managing director and a financial director, who are also management of the foundation which holds the shares of the subsidiary. Management of NEXT consists of the nine managing directors of the subsidiaries. The NEXT foundation has two directors. The Annual General Meeting (AGM) consists of the twenty directors of the ten foundations. Finally, there is the Annual Meeting (AM) of all owners of share certificates (for every subsidiary).

All legal decision-making bodies, except for the last, consist of directors. However, important decisions<sup>19</sup> need consent of 2/3 of the owners of share certificates, as this determines the vote of their directors in management, AGM and AM. The same holds at the subsidiary level for decisions about the emission and (de)certification of shares and appointing directors. Owners of share certificates also approve who becomes owner of certificates within their subsidiary. And they decide on the price of their share certificates.

Directors have a different labor contract (as statutory director) but they do not receive a higher salary or bonus. They also work as a consultant or sales. Apart from statutory director there are no other job descriptions but consultant. Formally, authority and responsibility reside to a great extent with nine up to

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<sup>18</sup> There are no privately held shares.

<sup>19</sup> On changes in statutes, dissolution, merger, and split up of the company, on capital reduction, partnerships and business participations.

twenty directors. However, owners of share certificates have a vote in important decisions, which influence the character of the company and its shares.

### Summary

Legal responsibility and authority are strongly concentrated within PART (two Board members). Also at SOLV it is concentrated (three founders). Within NEXT ownership (and the related responsibility and authority) is concentrated among nine to twenty directors, depending on the decisions to be made. But the 92 owners of share certificates have a vote in important decisions. As a result, legal responsibility and authority are much more shared within NEXT compared to PART and SOLV.

### *The amount of self-influence*

We distinguish three types of decisions groups can take: tactical (what is to be done), strategic (why it is to be done), operational (how it is to be done). For a detailed overview see appendix VI. For every organization we (i) identified the decisions that are made and (ii) identified whether these decisions are made by group members (being the lowest level where a competent decision can be made) or whether they are made by or approved by higher levels in the organization (Table 3.3). We calculate the share of decisions made or approved by group members for each category (operational, tactical, strategic). If more than 50% of the decisions within a category were made or approved by group members, we score that category 2, otherwise the score is 1. Then we calculate the average (Table 3.4).

Table 3.3: Decision-making in groups

| Amount             | PART              |              | SOLV              |              | NEXT              |              |
|--------------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| Category           | Decision/approval |              | Decision/approval |              | Decision/approval |              |
|                    | group member      | higher level | group member      | higher level | group member      | higher level |
| <b>Operational</b> | 12                | 8            | 19                | 1            | 19                | 1            |
| <b>Tactical</b>    | 4                 | 36           | 38                | 2            | 34                | 6            |
| <b>Strategic</b>   | 0                 | 20           | 14                | 6            | 16                | 4            |

Table 3.4: Self-influence in groups

|                    | PART  |     | SOLV |   | NEXT |   |
|--------------------|-------|-----|------|---|------|---|
| <b>Operational</b> | 0.60* | 2** | 0.95 | 2 | 0.95 | 2 |
| <b>Tactical</b>    | 0.10  | 1   | 0.95 | 2 | 0.85 | 2 |
| <b>Strategic</b>   | 0.00  | 1   | 0.70 | 2 | 0.80 | 2 |
| <b>Average</b>     | 0.23  | 1.3 | 0.87 | 2 | 0.87 | 2 |

\* share; \*\*score

## Summary

Self-influence of group members within PART is restricted to the operational level, where it is moderately high. In contrast, within NEXT and SOLV self-influence of group members exists also at the tactical and strategic level, and is rather high on all levels. Responsibility and authority are much more shared within NEXT and SOLV than within PART.

## ***Organizational design***

Previous research on workplace design has identified design characteristics that increase individual and group motivation and performance. Several of these concepts<sup>20</sup> enable structural empowerment, the delegation of authority and responsibility, in different degrees:

- Group coordination (Spreitzer et al., 1999; Stewart, 2006): allocation of group and task coordination activities within the group, comes with authority and responsibility,
- Task autonomy (Spreitzer et al., 1999; Hackman, 1987; Stewart, 2006; Breugh, 1985): higher degree of control or discretion a worker is able to exercise, means higher degree of authority and responsibility,
- Task interdependency (Spreitzer et al., 1999; Campion et al., 1993): higher interaction and dependence between group members to accomplish the work, means higher responsibility and authority, also concerning others' work,
- Group responsibility (Doorewaard et al., 2002): more distribution of job regulation responsibilities amongst group members, means more sharing responsibility and authority,
- Outsider steering (Stewart et al., 2011): smaller influence on work group performance from outside, enlarges influence from within the group,
- Group size (Hackman, 1987; Stewart, 2006): smaller groups make individual authority, responsibility, and contributions much clearer,
- Span of control (Spreitzer, 1996): more people supervised by one manager, enables decision making by group members and provides trust,
- Group composition (Spreitzer et al., 1999; Hackman, 1987; Campion et al., 1993; Stewart, 2006): highly skilled group members are able to take up decision making roles with authority and responsibility,
- Group task variety (Spreitzer et al., 1999; Hackman, 1987; Campion et al., 1993): the more group tasks each member is allowed to take up, the

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<sup>20</sup> See chapter 1 for a more detailed description

more role changes are enabled, and with it continuity in taking authority and responsibility increases,

- Task feedback (Spreitzer, 1995; Spreitzer et al., 1999; Hackman, 1987; Campion et al., 1993): more information on outcomes of work activities enables taking more responsibility (for improvement) and more involvement in decision making,
- Total compensation (Spreitzer et al., 1999; Hackman, 1987; Campion et al., 1993): shared responsibility is reflected in rewards for individual, group, and organizational performance,
- Group task significance (Spreitzer et al., 1999; Hackman, 1987): the more significant consequences of the group's work for others within and outside the organization, the larger the responsibility,
- Group stability (Spreitzer et al., 1999): larger continuity of group membership enables (collective) authority and responsibility as it takes time to know each other and establish cooperation,
- Group task identity (Spreitzer et al., 1999; Hackman, 1987; Campion et al., 1993): higher degree to which the group completes a whole and separate piece of work reduces dependencies on others and therefore enables group and individual authority and responsibility,
- Shared goals (Spreitzer et al., 1999; Hackman, 1987; Campion et al., 1993): focus on goals within the sphere of influence of the group and its members, enables taking authority and responsibility.

When analyzing the effects of organizational design on structural empowerment, similarities as well as differences in group design and organizational design exist between the cases. The differences are most relevant, as they help to distinguish organizations with higher from those with lower structural empowerment.

### Similarities

The interviews and documents show that the type of work is rather similar in the three organizations. Consultants are professionals generally working individually at the customers' site. Cooperation with colleagues is not the daily situation, as *task interdependence* is weak. Groups adjust to changing markets and demands, and therefore composition changes regularly implying that *group stability* is low. Individual and group performance contribute to company profitability, with financial and no substantial consequences for organization members, meaning that *group task significance* is low.

Groups in the three organizations develop their own products and services, based on their expertise. They have their own accounts, and are responsible for profitability. Finally, groups also carry out supporting tasks like sales, personal



development and recruitment. As a result the group task is complete, *group task identity* is strong.

The companies differ in the strength of *shared goals*. But the main goal for groups is profitability, and strengthening the brand. Even when these shared goals are hardly explicitly defined, they guide behavior, as interviews suggest. The shared goals represent organizational goals.

### Differences in group design

*Group size* is small within SOLV<sup>21</sup> (3-14) and NEXT (2-13), but much larger within PART (33-41). *Groups coordinate* their own activities and relationships with others, except for some centralized functions like legal and fiscal matters, finance and administration, employee benefits and insurances (e.g. pension, health care), and branding. But within NEXT and SOLV, coordinating activities within groups are divided among group members. As a result, *group task variety* is large within SOLV and NEXT. Within SOLV this is further strengthened because group members can easily switch to other business projects (groups) or their projects, and this was also regularly done. There are hardly any internal status differences interfering with a flexible division of work. Within NEXT group members can easily switch between business projects (groups) within their subsidiary. They would also be able to switch to another subsidiary, but this requires to resign and to apply for a new job. Also owning share certificates in a subsidiary is experienced as hindering internal mobility – and in practice hardly anyone switched between subsidiaries. Within PART the differentiation between management and consultants, where management performs coordination activities, leads to internal status differences that interfere with a flexible division of work. Switches between subsidiaries are made but this almost always concerns management. Coordination is reserved for the management team. *Group task variety* is smaller, and the *span of control* of managers within PART is narrow: one manager on eight consultants.

This is also reflected in *group composition*. In all three cases, group members are highly educated professionals with professional skills and business management skills, enabling them to take on authority and responsibility for coordinating tasks. However, within PART new group members are mostly young with no or little experience. They are relatively cheap, and do their work at the customers' site under the guidance of managers.

As coordinating tasks are shared amongst group members within SOLV and NEXT, all members feel responsible. When asked in interviews who holds

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<sup>21</sup> SOLV does not exist anymore, so we should use the past tense. As the other cases are described in the present tense, we do this also for SOLV – to improve readability.

responsibility, 100% of NEXT respondents answer “everyone”, whereas 63% of PART respondents answer “everyone, but management has final responsibility”. *Group responsibility* seems lower within PART.

Within SOLV and NEXT there is full transparency on all expenditures (e.g. salaries), results, annual budgets and prognoses. Contributions of every individual to the group performance are visible, and this is used for *individual feedback* within the group. Groups report periodically their performance, and the differences between results and budgets and prognoses are explained. *Group task feedback* comes from this self-reporting; but the report enables also other groups, financial administration, and an external accountant to provide groups with feedback. Within PART all employees receive group task feedback, only for their subsidiary, in a monthly report which is also presented in a meeting. Individual performance is only transparent for management. Group members receive feedback from their management; and feedback from some colleagues is provided as part of the annual review. Group and individual task feedback is large within SOLV and NEXT, but not in PART.

*Task autonomy* is large within SOLV and NEXT. Group members are autonomous with respect to their own activities. They have considerable independence in the choice of methods, work division and planning. The assignments they fulfill, the (non)billable hours they make, their hourly rate, their expenses, their training etc. are all decided upon by group members themselves in consultation with their group. Within PART group members also have considerable independence in the choice of methods, work division and planning. But the assignments they fulfill, the (non)billable hours they make, their hourly rate, their expenses, their training etc. all need approval of management. Therefore, task autonomy at PART is limited.

In all three cases the most important component in *compensation* is considered to be a fixed salary, and supplemented with a share in profit – partly based on owning certificates. Within SOLV and NEXT, but not in PART, this share in profit is not only related to organization performance but also to group performance.

### *Differences in organizational design*

Autonomy of groups is restricted by *outsider steering*. Within SOLV outsider steering comes from the *consultative groups* that (i) review business plans, (ii) decide on collective activities and on proposals from the webmasters, and from ad hoc work groups that (iii) prepare important process and organization changes. Group members are elected members chosen by business projects and have no formal role. Outsider steering also comes from *subsidiary coordinators*, who spend time on coordination between groups and on creating conditions for effective self-steering. Whenever there is a dispute, for instance about dividing

value of a business project that splits up, they give binding advice. And finally, the *webmasters* decide on issues concerning organizational design. They sometimes intervened by dissolving a business project or subsidiary that had been running at a loss for some time (Derix, 2000). As the subsidiary directors, they do have legal authority to do this. Outsider steering within SOLV is very limited as groups are represented in decision making and because organizational changes were discussed collectively. Outside steering did sometimes result into resistance, and outside orders were not accepted (Ibid.).

Within PART, only the board is mentioned as outside influence on groups. The board provides a vision, and approves the annual plans of subsidiaries. Subsidiaries are not allowed to have a profit margin below 10% for more than three months. If they do, the board will take action. It is not explained what this action is. But in 2012 the board members fired consultants, demoted managers and temporarily took over the functions of subsidiary directors themselves. So when seen from the perspective of the subsidiary, *outsider steering* is limited as long as things go well, but as recent events have shown very strong in times of crisis.

Within NEXT, more than in the two other cases, staff is aware of the influence of external institutions, and they report *outsider steering* from financiers, banks, treasury, accountants and legal regulation. The bank that financed the buyout had considerable influence on the structure of NEXT, as did fiscal considerations. Within NEXT, steering of groups is restricted to several centralized activities, coordinated in three decision-making bodies. *The niche initiators* (Dutch: 'trekkers') *meeting* decides on e.g., maximum shareholder value, bonuses, and salary increases at the level of the subsidiary. When a subsidiary structurally runs at a loss, it intervenes through an agreement between the nine niche initiators about one of them, e.g., about appointing coaches, required performance, or even about dissolving. The *niche controllers meeting*, consisting of nine niche controllers of the subsidiaries, submits its financial and legal operational decisions to the niche initiators meeting of NEXT. And finally, *temporary work groups* are established for specific decisions or events such as a new accommodation, website or IT platform or an annual convention. The work groups have no legal authority, and the members are volunteers from the subsidiaries. Outside steering by these three bodies is very limited since in every decision-making body the group has a representative, and decisions can be put up for discussion.

### ***Structural empowerment: overview***

At the group level and the organization level, we found several communalities and differences between the cases, which are summarized in Table 3.5. Of each of the aspects, we indicate whether the organizations score positive (2) or not (1).

E.g., group coordination within SOLV and NEXT is strong (score 2), within PART it is absent (score 1).

Table 3.5: Outline of score structural empowerment\*

| Dimensions                    |                               | Score for distribution of authority and responsibility |      |      |
|-------------------------------|-------------------------------|--|------|------|
|                               |                               | PART   | SOLV | NEXT |
| Legal design                  | Legal and ownership structure | 1  | 1    | 2    |
| Organizational design         |                               |  |      |      |
| Similar                       | Task interdependence          | 1  | 1    | 1    |
|                               | Group task significance       | 1  | 1    | 1    |
|                               | Group stability               | 1  | 1    | 1    |
|                               | Group task identity           | 2  | 2    | 2    |
|                               | Shared goals                  | 1  | 1    | 1    |
| Differences groups            | Group size                    | 1  | 2    | 2    |
|                               | Group coordination            | 1  | 2    | 2    |
|                               | Group composition             | 1  | 2    | 2    |
|                               | Group responsibility          | 1  | 2    | 2    |
|                               | Span of control               | 1  | 2    | 2    |
|                               | Group task variety            | 1  | 2    | 2    |
|                               | Task feedback                 | 1  | 2    | 2    |
|                               | Total compensation            | 1  | 2    | 2    |
|                               | Task autonomy                 | 1  | 2    | 2    |
| Differences organization      | Outsider steering             | 1  | 2    | 1    |
| Average organizational design |                               | 1.1  | 1.7  | 1.7  |
| Self-influence groups         |                               |  |      |      |
|                               | Operational                   | 2  | 2    | 2    |
|                               | Tactical                      | 1  | 2    | 2    |
|                               | Strategic                     | 1  | 2    | 2    |
| Average self-influence groups |                               | 1.3  | 2    | 2    |
| Overall Average               |                               | 1.1  | 1.6  | 1.9  |

\* The highlighted items are *distinctive*<sup>22</sup> items that *differ* between the cases

Note that distribution of authority and responsibility through organizational design in our view concerns a *package*: structural empowerment does not depend on one single concept but on a set. The same holds for the other two aspects: self-influence in groups and ownership and legal design. In other words, our operational definition of structural empowerment consists of a set characteristics as specified in Table 3.5.

Organizational design of PART shows no distribution of authority and responsibility, self-influence of groups is mostly operational and legal authority

<sup>22</sup> Span of control, group task variety and group composition are not distinctive since they follow from group responsibility and group coordination.

and responsibility reside almost completely with one or two board members. Structural empowerment seems to be absent in PART, reflected in the rather low score.

The legal structure of SOLV shows that the authority and responsibility reside with the six priority shareholders. Within these six, three have a decisive influence, the founders and web masters. Through the organizational design, authority and responsibility are strongly distributed to lower levels. Within groups, there is a large – operational, tactical, and strategic – autonomy. But the webmasters have a reasonable influence on the organizational structure, which is based on their dominance as owners of the company. This ambivalent structure is reflected in the moderate score.

Organizational design suggests a high degree of delegation of authority and responsibility within NEXT. Within groups, there is a large – operational, tactical, and strategic – autonomy. At the same time the legal design of the company suggests that authority and responsibility reside to a substantial extent with nine up to twenty directors, but also that owners of share certificates at least have a vote in important decisions. NEXT therefore has a high score on structural empowerment.

The three organizations have different levels of structural empowerment. How does this translate into power use in factual decision making? Who uses what power sources to influence decisions? And how is politics used to legitimize and hide this use of power?

### **3.4 Findings: power use**

#### PART

Organizational and legal design makes that the board decides on many things, including the amount of autonomy of the subsidiaries, which at the moment is considered high. The recent past shows that during crises the board intervenes and autonomy is radically narrowed. Their influence is based on their formal position and ownership: *legitimate power*.

Managing-directors have access to decision making in their fortnightly meetings with the board. Subsidiaries' management has access to decision making through their regular management team meetings. They report monthly to the board. Organizational design makes that almost all strategic and tactical decisions and many operational decisions are the prerogative of management or need management approval. It is up to management to ask consultants to join in decision-making – but in many decisions consultants are not involved. Interviews suggest that management decides as it is their role: *legitimate power*. The

consequences their decisions have for consultants, e.g. their activities or assignments, shows they have considerable *sanction power*.

Summarizing (Table 3.6), organizational as well as legal design show no distribution of authority and responsibility within PART.

Table 3.6: Power sources - PART

| Who has influence                         | Based on what sources   | Influence type       |
|---|---|----------------------|
| Board members and priority shares owners  | Priority shares give access to important decisions                          | Legitimate           |
| Board members also owner of normal shares | Formal position as board member   | Legitimate           |
|   | Shares give access to and authority in decision making in AGM               | Legitimate           |
|   | Access to decision-making in board and board/directors meeting              | Legitimate           |
|   | Decides who becomes managing-director and manager                           | Legitimate, sanction |
| Managing-directors                        | Formal position as managing-director  | Legitimate           |
|   | Access to decision-making in board/directors meeting and in management team | Legitimate           |
|   | Decides who becomes manager   | Legitimate, sanction |
|   | Coordinate, support and approve of activities of consultants                | Legitimate, sanction |
|   | Coordinate the deployment of consultants                                    | Legitimate, sanction |
| Full-time/ part-time managers             | Formal management position  | Legitimate           |
|   | Access to decision-making in management team                                | Legitimate           |
|   | Decides who becomes manager   | Legitimate, sanction |
|   | Coordinate, support and approve of activities of consultants                | Legitimate, sanction |
|   | Coordinate the deployment of consultants                                    | Legitimate, sanction |

### SOLV

Webmasters have so many shares that they have decisive influence, resulting in *legitimate power*. Webmasters are often consulted, e.g. about new initiatives. As they are considered having knowledge and experience, they are attributed *expert power*. But they are also considered visionaries inventing and developing the business philosophy. Its enormous success provides *identification power*. In the first five years the webmasters hardly made use of their legitimate power. Business projects existed with suboptimal results, but because of the booming economy, there was no need to intervene. When economy started to decline, and with it the performance of the company, use of legitimate power by webmasters became explicit. Webmasters decided changes in the organization that limited the autonomy of business projects. They formulated a strategy for TVW, and

established a budget for the business projects. This use of power was against the business philosophy but was in the end accepted.<sup>23</sup>

Business project initiators have no formal authority. But they are member of Panorama, the meeting where decisions are taken on collective matters. This provides them with more information and the ability to control access to decision making, by consulting others or not. This gives the initiators *legitimate power*.

Subsidiary coordinators spend time to coordinate between business projects and the subsidiaries, for example stimulate business projects to work together in order to meet the demands of clients, solve problems, or generate new business, and they create conditions for effective self-steering. Their legal position gives them *legitimate power* – which in the beginning is hardly used.

Commercially successful staff have influence, as acquiring work is an important role. Those members that have skills to obtain interesting assignments have *sanction power*, as they can award consultants with these assignments.

As literature suggests, organizations in crisis show centralization of power (Staw et al., 1981; Mulder et al., 1971; Mulder, 1984; Boin and 't Hart, 2003; Drabek and McEntire, 2003). With the economic downturn in 2001, this happened, leaving the staff astonished. A work group defines new terms of employment, initiated by the webmasters. Business projects are now obliged to have their business plans, budget, wage rates and benefits, and the quarterly results reviewed by a committee that no longer only advises but also imposes measures. Subsidiary coordinators and financial administration are mandatory members of the review committee. These organizational changes restrict autonomy of business projects, give the review committee result-oriented control, and coordinators increased *legitimate power*, all in conflict with the companies' philosophy. The company was dependent on staff knowledge and skills, but this collective power source was not mobilized.

Summarizing (Table 3.7), organizational design created expectations and practices of distribution of authority and responsibility. Although not used for a long time, legal authority and responsibility resided to a great extent with priority shareholders, and especially the four webmasters who were influential in decision-making. Under pressure of economic decline, legitimate power was used.

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<sup>23</sup> In chapter 5 we analyze the long-term development of SOLV.

Table 3.7: Power sources - SOLV

| Who has influence           | Based on what sources   | Influence type |
|-----------------------------|---|----------------|
| Webmasters                  | Legal position as director of foundation  | Legitimate     |
|                             | Priority shares give access to important decisions  | Legitimate     |
|                             | Knowledge and experience  | Expert         |
|                             | Visionaries, inventors of the successful business philosophy  | Identification |
| Shareholders                | Shares give access to decisions   | Legitimate     |
| Subsidiary coordinators     | Legal position as director of subsidiary  | Legitimate     |
|                             | Access to decision-making in review committees  | Legitimate     |
| Business project initiators | Access to decision-making in meeting with business project and subsidiary coordinators and the webmasters | Legitimate     |
| Commercial successful       | Providing interesting assignments   | Sanction       |

### NEXT

Niche initiators (Dutch: trekkers) are legally authorized to act on behalf of the company, e.g., signing contracts and this gives them *legitimate power*. They have access to information and to meetings where decisions are made on overall NEXT issues. How they involve their group members and how they use their mandate, differs between individual niche initiators and subsidiaries that have different decision-making cultures.

Owners of a substantial amount of share certificates have in principle *legitimate power*, as important decisions in their subsidiary as well as NEXT need consent of the owners of share certificates. The more unevenly the shares are distributed within a subsidiary, the stronger this power source. In 2015 there were 92 share certificate owners, 79 of which are current employees out of 106 employees. 25 owners own two-thirds of the certificates, so share certificates are not equally distributed. At the level of subsidiaries it ranges from a subsidiary where everybody has an equal share to a subsidiary where 36% group members own 99% of the share certificates. In the first subsidiary, all owners are needed to obtain the necessary 2/3 majority for important decisions, in the last subsidiary only two directors plus two other owners can create the necessary 2/3 (of fourteen owners). Interviews indicate that this difference in legitimate power is reflected in decision making. Decision making in the second subsidiary is described as dominated by the few who have an extensive amount of share certificates. Decision making in the first subsidiary is characterized as democratic.

Interviews suggest that the founding members (who invested in the buyout) have influence. They generally own a substantial amount of share certificates. But



additionally, they are considered risk-takers who made the company “regain its freedom”, and others feel a sense of loyalty. This gives them *identification power*.

This holds especially for the original founder of NEXT who was the former CEO before the buyout, and the former CFO, both with a very long history within NEXT and both ‘progenitors’ of the buyout and the new structure of NEXT. Interviews also suggest that these two have much influence inside and outside the company, which provides them with *sanction power*. Because of their long year experience with, management of, NEXT they are considered to have a lot of knowledge, resulting in *expert power*.

Several interviewees mention that the ‘inner circle’ of the former CEO and CFO is influential (*identification power*). However, analyzing the distribution of shares we found that in fact the inner circle consists of the four niche initiators representing two-third of NEXT’ capital needed for decisions in the AGM. The inner circle also has *legitimate power*.

Subsidiaries are differently successful. E.g., two subsidiaries realized in 2014 some 65% of the profit of NEXT after taxes. This is partly based on their strong network in which the former CEO and CFO have an active role. Through their success these subsidiaries gain some respect (*identification power*).

Commercial and financial successful staff have influence as acquiring assignments is important. Some have more talent for this and a better network, making others dependent. That they can grant others with interesting work provides them *sanction power*.

Summarizing (Table 3.8), organizational design suggests a high degree of delegation of authority and responsibility within NEXT. However, influence is not equally distributed, as several influential people exist who also generally have more power sources: legitimate power, identification power and expert power (table below). These, by the way, are also the persons with the more substantial amounts of share certificates. Despite this inequality, power sources are much more distributed within NEXT than in the two other cases, and members believe that being director or owning share certificates does not make much difference within NEXT.

Table 3.8: Power sources - NEXT

| Who has influence                      | Based on what sources  | Influence type |
|--|--|----------------|
| Niche initiators and niche controllers | Director of subsidiary, foundation and NEXT  | Legitimate     |
|  | Access to decision-making and information in (financial) management NEXT   | Legitimate     |
| Substantial share certificates owners  | Vote in important decisions concerning the character of subsidiary and NEXT, concerning the amount of shareholder value that is paid, who becomes owner of share certificates, decide upon price of share certificates | Legitimate     |
| Founder members                        | Enabled the buyout   | Identification |
| Former CEO and CFO                     | Directors  | Legitimate     |
|  | Progenitors of buyout and new structure of NEXT  | Identification |
|  | Influence on members inside and outside the company  | Sanction       |
|  | Long year experience with, management of, NEXT   | Expert         |
| Inner circle                           | Connected to former CEO and CFO  | Identification |
|  | Part of minimum needed for 2/3 majority in NEXT  | Legitimate     |
| Commercial successful                  | Providing assignments and funding for others   | Sanction       |

### 3.5 Findings: politics

#### PART

Specific labels, symbols, and ceremonies show how power is legitimized and/or hidden. The deployed labels obscure the formal organization: subsidiaries are called ‘cell’, and the meeting of board and directors is called ‘cell sharing’. The supervisory board is called ‘Board of Innovation’. Events like employee trips and visits are called ‘extracurricular activities’ which ‘stimulate happiness’. On the other hand, the traditional labels as board, leadership and management are deployed too, leading to a mixed picture.

Also stories are an important means to legitimate and hide power relations: “PART is built upon three core values: happiness, initiative and expertise. It is characterized by small autonomous cells, which provide freedom, trust and room for maximum personal development, initiative, and input, along with the responsibilities that come with it. Personal growth is virtually unlimited, to the point where you can even become a co-owner of the company!”. “Happiness of the staff is top priority, based on our awareness that satisfied employees deliver greater quality and get more enjoyment out of their jobs, which customers will inevitably notice”. “PART only monitors employee and client satisfaction, as once these are solid, everything else will follow” (website). This strong story to manage meaning is used in selecting and training new employees and in internal and external communication. The values seem highly shared, as in interviews

many employees mention them: 68% happiness, 53% initiative, and 47% expertise.

On the other hand, the story is not in line with structural empowerment and contradicts with the everyday practice of management decisions and profit as main goal. So, we do find dual language, such as in the review template: “initiative, independence and responsibility are important ingredients” goes together with “personal ambition should be in line with managers vision on one’s talents” and with many criteria related to performance. The staff handbook gives numerous detailed outlined rights, obligations, sanctions and even a dress code. And “the freedom we provide not only makes staff ultra-motivated to serve clients, but also gives a high level of flexibility, because we run that little bit faster” so “our staff truly adds value to our processes and becomes indispensable to our clients” (website) reveals that not empowerment but client satisfaction is the ultimate goal.

In interviews, many employees mention the corporate empowerment goals, but also growth, profit and revenue which are not mentioned in corporate communication – but they are part of the monthly report of subsidiaries that are judged by their profit margin which should be 10% at least. Consultants do see that they are held accountable for generating profit. Consultants are also aware that having share certificates only results in return on investment (68%) and in commitment and entrepreneurship (32%), and only limited in authority (82%). In line with the dominant story, staff members feel they have a voice and are taken seriously, and report that one can decide just by using common sense. “If you believe in it, go ahead and do it! It’s better to ask for forgiveness after the fact than to ask for permission to take action.” (website). But, interviews show that consultants hardly decide independently, and generally follow managerial decisions – and are aware of that. So the empowerment story is only partially concealing, as consultants see the power relations, but at the same time the story works pretty well, as interviewees do not see the tension between the de facto decision making and the empowerment story. Striking example is that according to interviewees the harsh intervention of the board in 2012 could happen again, but is described as “the board will watch along ... help ..... inspire”.

Managers also speak a double language in interviews. They talk about consultants having autonomy but not using it, and often asking approval. But also that “you (the manager) take care that they (consultants) keep the feeling that they are in control themselves. That is difficult because eventually the chimney has to keep smoking and money needs to come in”. And the latter requires “*eventually the manager takes the decision of course*”. Managers say “often we make our own plans for someone”, “we deploy someone”, “management team decides on almost

everything”. But even that is only to a certain extent. A manager asked for a monthly report of his subsidiary, replied that we should ask the company board.

One important norm which is mentioned often in interviews, when asked about decision making rules, is ‘think’: consultants can make decisions using common sense. But when asked further, it becomes clear that it means that consultants are able to take only those decisions their managers would approve. The appeal to free will, while at the same time keeping control, shows the strength of hegemonic power of management (Doorewaard, 1989). This is a good example of semantic doubling: Appealing to the common sense of consultants using a well-favored label, ‘think’, while at the same time keeping control (Ibid.). The same holds for managers of PART explaining that they have consultants ‘under their care’. Taking care means the caretaker takes responsibility for the wellbeing of the one that is being taken care of. It is difficult to draw the line between taking care of consultants because it is good for the company and taking care of consultants because it is good for them (Ibid.).

Summarizing, structural empowerment within PART is strongly present in labels, ceremonies and stories. In practice it is non-existent, and language is used to hide and legitimize the use of power which is based on legal and organizational design. Although staff does believe in empowerment values, the explicit use of legitimate and sanction power by management is accepted as being normal. Consequently, staff members do not experience that as power use (Ibid.). The focus on e.g. employee happiness within PART, which symbolically outlines the importance of employees, influences the feeling organization members have about the power used by management. Employees are made unaware of their subordinate position (Hardy and Leiba-O’Sullivan, 1998) and therefore do not make challenges.

### SOLV

Also SOLV used ‘soft’ labels hiding power relations. ‘Initiator’ (Dutch: ‘trekker’) was used for business project leader or subsidiary director and ‘webmaster’ for owner. The term ‘business project’ suggests the volatility of teams, and ‘web’ emphasized that the organization was a network instead of a hierarchy. The meeting of ‘business project trekkers’ (initiators) on collective matters is called ‘Panorama’. The business philosophy was visible in the office where the ground floor was furnished as a grand café, and in special events (like ‘Snowvision’), debating events and social weekends.

The story (TVW, 1998a) is strongly influenced by self-steering (Semler, 1993). (i) SOLV’s philosophy builds upon five pillars: Respect and trust, own responsibility, natural entrepreneurship, talents above structures, synergy between people. (ii) SOLV has no fixed organization structure: The structure consists of the relationships between people. There are no formal functions like account

manager or personnel manager, and no staff departments or secretarial support. Organization members fulfil certain roles, depending on talent and ambition. (iii) Who decides depends on competence, not on position (Sinteur, 2002). (iv) Everything is transparent and all information is available (Derix, 2000). This philosophy attracted a lot of attention in newspapers, and became a 'unique selling point' in the market (Staw and Epstein, 2000). This enabled the organization to attract new staff and grow fast, despite the tight labor market for ICT personnel (Derix, 2000).

Trust in employees was high, and everyone had a permanent position. Trust was also reflected in autonomy, which enables employees to take responsibility and to build own 'micro enterprises'. Transparency was high: abundant and detailed business information was available for all on the intranet. Internal mobility and flexibility in taking up tasks illustrated that talent dominated structure. Business projects decided also about own salaries. And new business projects were created easily, when new demand came up.

The five pillars of the ideology were also discussed. For example, is receiving a fixed salary part of entrepreneurship? And is it acceptable that customers sometimes do not get the service they want because there are no people who want to do the job? Also the balance between steering and self-steering was discussed but generally resolved in favor of self-steering (Derix, 2000). The strong anchored norms and values had also disadvantages, as asking critical questions was interpreted as mistrust and control, hindering reciprocal open consultation, a main element of self-steering. Interventions were seen as an attack on own responsibility. But the strong business philosophy did block the use of legitimate power. SOLV staff believed strongly in the philosophy, and made it reality through its behavior. E.g., a business project initiator wanted to split the group, which was simply not accepted by the group's members (Ibid.). In 2001, a report was written by an external advisor at the request of the webmasters noticing that "the pitfall of the five pillars is that there is too much freedom and responsibility; and there are too few guidelines, which makes employees feel lost and insecure" (TVW, 2001a). The report delegitimized the five pillars in order to change the status quo and pave the way for intervention, feedback and guidelines, when the economic crisis started.

The philosophy not only avoided the use of power for many years, but it also did hide the underlying power relations – when the owners started to use their legitimate power, staff members were stupefied. That subsidiaries had directors was legitimized as "the outside world asks for it". But when the formal positions were used, the staff was shocked. However, staff had become ineffective in organizing counter power. They were simply not used to collective action and use of power, and through their belief in reciprocal open consultation they did not see

the more-powerful as belonging to a different group. Their inaction was a result of power (Hardy and Leiba-O'Sullivan, 1998), the ideology preventing conflict from arising.

Summarizing, the business philosophy of radical self-steering proves for SOLV an important source of distinctiveness and of success in the market. Staff has adopted the philosophy, and makes self-steering to a large extent a reality. In tension with the story, legal authority and responsibility reside with a few shareholders. Nevertheless, the 'lived story' makes use of that legitimate power hardly possible. Only when the economy started to decline, and the company faced problems, power use increased strongly, and staff was not able to resist.

### NEXT

Also NEXT uses softened labels for formal entities: Subsidiaries are 'niches', its directors are 'niche initiator', financial directors are 'niche controllers'. Management is 'niche trekkers meeting' and financial management is 'niche controllers meeting'. Director is "no formal function but a role". The management letter is called 'professional letter'. Clearly, words like manager and director are a taboo. The Annual General Meeting (AGM) is 'Independence Day Celebration', by then decisions are already made by management and at the AGM legal documents are only signed. Everybody is invited as "we do not want it to become something formal." In contrast to the formal rules, the AGM is organized as a party.

Corporate communication focusses on expertise, customers and technologies, with attention for the identity of NEXT. One story on NEXT' identity comes from the company, the other is recurring in interviews:

The first story boils down to: (i) NEXT' core values are *surprise, trust, connect*, but also *respect and trust, responsibility, natural entrepreneurship, talent above structures, synergy*<sup>24</sup>. (ii) NEXT has no managers or bosses. There are no functions, only roles, and "You decide upon your own role." (iii) NEXT has an innovative organizational model: simplicity works. The second story comes from interviews: (i) Employees own NEXT. "70% here is owner"; "ownership is decisive in self-steering". (ii) Everything is transparent and everyone is allowed insight on everything. (iii) Decision-making is collective and everyone has an equal vote: "decision-making always takes place based on one man, one vote", independent of role, seniority, or ownership. And one should take "own responsibility", "but do not ask permission".

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<sup>24</sup> The latter five are the SOLV 'pillars'.

The stories are alike, are they in line with practice? And have staff members internalized the story? (i) When asked about the core values, some 50% of the interviewees mention the values, indicating that these values are shared but not very strongly. Interviewees formulate the core values differently, indicating room for personal interpretation. (ii) Although directors (niche initiators and niche controllers) have considerable power, there has been substantial change in directors. Mainly those directors who hold an extensive amount of share certificates within their subsidiary hold on to their position. (iii) The organization is less simple and has less flexibility than the story suggests as (ownership based) boundaries exist between subsidiaries. Management at the level of NEXT, especially the niche initiators meeting, is often problematic, and therefore new initiatives are created outside NEXT, with a (loose) relation to NEXT through participation in independent companies. (iv) Ownership is indeed distributed, however the interviewees generally do not have a good picture of the inequality in the distribution of ownership and that legal voting rights are executed by directors. (v) Transparency seems large, and on our questions we received complete and detailed information. This does not result in feedback between the subsidiaries, which is hardly accepted, and this does create problems in decision making at NEXT, especially as the subsidiaries perform very differently. Transparency enables individual feedback but does not stimulate reciprocal open consultation company wide. This in turn leads to difficult and irritated decision-making within NEXT management. Directors meet less, and use email for decision-making. Temporary work groups have freedom to decide, unclear mandates and insufficient consulting of the subsidiaries from time to time hinders decision-making. Even more as decisions are sometimes rejected or changed by influential individuals. (vi) Although the organization is designed for transparency, this does not work always and in all subsidiaries as there are considerable individual differences in power use.

Does the story legitimize and hide the use of power? A main legitimization of the formal structure is that outside forces like financiers, the tax office and the law ask for those arrangements. The director position is not there because “we want this so badly but because it is laid down by law”. Other things are a taboo. For example, if one would make power differences associated with share distribution explicit, this would be “the end of the cooperation” and “NEXT, would not be NEXT anymore”. Whereas structural power differences are concealed by the stories, this is not so for personal power use. In one of the subsidiaries, the director (and majority share certificate holder) strongly uses his legitimate power, and explained that explicitly when interviewed. And, also other interviewees, inside as well as outside his subsidiary, clearly described his legitimate power use which they disliked but did not seem able to resist.

Summarizing, the legal structure assigns steering to nine to twenty directors. Self-steering in NEXT is present in the legal design, through the consent needed from share certificate owners for important decisions. Dominant in decision-making are directors, owners of many share certificates, and the founder and the former CFO and their ‘inner circle’. In contrast, organizational design, and labels, ceremonies and stories support a high degree of delegation of authority and responsibility. However, the strong belief in self-steering makes the story reality: self-steering is practiced and limits the use of power. Despite this, some directors do use their power openly, and can do so because of their ownership position which leads to rather large power differences, hindering distribution of authority and responsibility.

***Power constellations: a comparison***

Structural empowerment differs between the three organizations (section 3.3). *Legal design* of SOLV and PART are similar in that legal authority resides with a few. Within NEXT legal authority is shared amongst more members. Within NEXT and SOLV *group self-influence* is large, as groups decide also about strategic and tactical issues, whereas within PART this is restricted to operational issues only. NEXT and SOLV share wide distribution of authority and responsibility through *organizational design*. Organizational design of PART does reflect a concentration of authority and responsibility. So structural empowerment (summarized in Table 3.9) is present in SOLV and NEXT and almost absent in PART.

Table 3.9: Distribution of authority and responsibility

| Structural empowerment | PART | SOLV | NEXT |
|------------------------|------|------|------|
| Overall                | 1.1  | 1.6  | 1.9  |
| Legal design           | 1    | 1    | 2    |
| Organizational design  | 1.1  | 1.7  | 1.8  |
| Group size             | 1    | 2    | 2    |
| Group coordination     | 1    | 2    | 2    |
| Group responsibility   | 1    | 2    | 2    |
| Task feedback          | 1    | 2    | 2    |
| Total compensation     | 1    | 2    | 2    |
| Task autonomy          | 1    | 2    | 2    |
| Outsider steering      | 1    | 2    | 1    |
| Self-influence groups  | 1.3  | 2    | 2    |

Who are perceived as dominant actors, and their available power sources (see section 3.4) is summarized in the Table 3.10. Power within PART is concentrated with a few, namely board and management. Within NEXT several power sources are used by different organization members. But quite some power sources



accumulate with the same members. As we have not interviewed SOLV staff, it is more difficult to analyze the use of power sources. Based on observation and documents (Derix, 2000), however, webmasters could not use their legitimate power until the economic decline made it possible. So power use is *distributed* for SOLV and NEXT (and stronger within NEXT) and *concentrated* for PART. Striking is the dominance of legitimate power. There are hardly dominant actors without legitimate power: Power use follows structural empowerment.

Table 3.10: Different patterns of influence distribution\*

| PART  |                     | SOLV                        |                | NEXT   |                |
|---|---------------------|-----------------------------|----------------|--|----------------|
| Who has influence                           | type                | Who has influence           | type           | Who has influence                                  | type           |
| Board members also owner of priority shares | Legitimate          | Webmasters                  | Legitimate     |  |                |
|   |                     |                             | Expert         |  |                |
|   |                     |                             | Identification |  |                |
| Board members also owner of normal shares   | Legitimate Sanction | Shareholders                | Legitimate     |  |                |
| Managing-director                           | Legitimate          | Subsidiary coordinators     | Legitimate     | Niche initiators and niche controllers             | Legitimate     |
|   | Sanction            |                             |                |  |                |
| Full-time/part-time manager                 | Legitimate          | Business project initiators | Legitimate     |  |                |
|   | Sanction            |                             |                |  |                |
| Owners of share certificates                |                     |                             |                | Owners of substantial amount of share certificates | Legitimate     |
| Successful members                          |                     | Commercial successful       | Sanction       | Commercial and financial successful                | Sanction       |
| Specific members                            |                     |                             |                | Founder members                                    | Identification |
|   |                     |                             |                | Former CEO and CFO                                 | Legitimate     |
|   |                     |                             |                |  | Identification |
|   |                     |                             |                |  | Sanction       |
|   |                     |                             |                | Expert   |                |
| Inner circle                                | Identification      |                             |                |  |                |
|   | Legitimate          |                             |                |  |                |

\* The arrow indicates that power sources are concentrated at different levels between the organizations

Politics (section 3.5) is summarized in Table 3.11. All three cases have a strong story about empowerment and autonomy. The *discrepancy* between design and story is strong in PART. Within SOLV, discrepancy exists between legal and organizational design, but the latter is in line with the story. And at NEXT, story,

legal and organizational design are more aligned. Furthermore, in both latter companies, the story is to a large extent realized in practice. PART’s strong story produces apparent consensus and acquiescence, which avoids members to problematize the lack of structural empowerment. On the other hand, interviews show that they do see management’s dominance. Within SOLV, belief in the self-steering story was so strong that staff was unable to act when the webmasters started to use their legitimate power. We see this inability to resist power use also in those NEXT-groups where there is a strong inequality in distribution of legitimate power because of strong disparity in the distribution of share certificates. Also here, the inability to resist power inequality is based on the effect of the story, and power associated with ownership is a taboo.

Table 3.11: Politics in the three organizations

| Elements                              | PART  | SOLV   | NEXT  |
|---------------------------------------|---|--|---|
| Top down story                        | Yes   | No   | No  |
| Story shared                          | Strongly  | Strongly   | Partially   |
| Daily behavior in accordance to story | No  | Yes  | Yes   |
| Language                              | Story used to legitimize and hide use of legitimate power | After certain point in time story put up for discussion in order to legitimize use of legitimate power | Language used by few in order to use legitimate power |

### 3.6 Findings: perception of power distance

In the previous sections we showed that (i) the stories about empowerment are strong in all the three organizations, (ii) these self-proclaimed ‘empowering organizations’ strongly differ in terms of structural empowerment and the related power use, and (iii) perception of power differs from the real power configuration, indicating that the power of the story is high, but (iv) even strong stories about empowerment do not completely hide power differences, as organization members do see power use, even if they not always are aware that there is a large discrepancy with the story. For example, staff at PART was during interviews rather contradictory about decision making: They easily could say in one sentence that there was no use of power and giving an example that in fact showed the use of power.

This conclusion is based on interviews, and for a more representative result we also surveyed the staff in the three organizations. The questionnaire measures power distance between a person and their ‘next-higher’, explicitly using the organizations’ labels in the questionnaire being ‘manager’ for PART, ‘business project trekker (initiator)’ for SOLV and ‘niche trekker’ for NEXT. Furthermore,

we measure the role of reciprocal open consultation (Mulder, 1984), which is the ‘non-power’ relation indicating the level of structural empowerment. Reciprocal open consultation requires small power differences (Mulder, 1984: 113), and is therefore strongly restricted when power sources are used, especially legitimate power or sanction power. If the relation with the next-higher is strongly characterized by power, delegation of authority and responsibility is absent.

The questionnaire measures power distance in terms of the five distinguished dimensions (summarized in Table 3.12). We find: (i) All three organizations score very low on legitimate power, and low on most power dimensions, and high on reciprocal open consultation, confirming our finding that the stories are strong: existing legitimate power is hardly noticed and reciprocal open consultation seems to be a shared value. The use of legitimate power, strongest within PART but also present within NEXT and SOLV, does not affect the strong belief in reciprocal open consultation nor the strong rejection of legitimate power, and this suggests that the stories conceal power differences. (ii) Nevertheless, there are differences in the perception of power use, as within PART the perceived power distance is larger than within NEXT and SOLV. PART scores higher on three out of four power dimensions: on legitimate power, sanction power, and identification power, reflecting the differences in structural empowerment between the three organizations. (iii) Accepting legitimate power is a strong basis for sanction power, as the two reinforce each other (Mulder, 1984: 110). Sanction power scores significantly stronger within PART compared to SOLV, and significantly stronger within SOLV compared to NEXT, in line with the distribution of structural power sources found above (Table 3.10)

Table 3.12: scores on the power dimensions, averages per organization

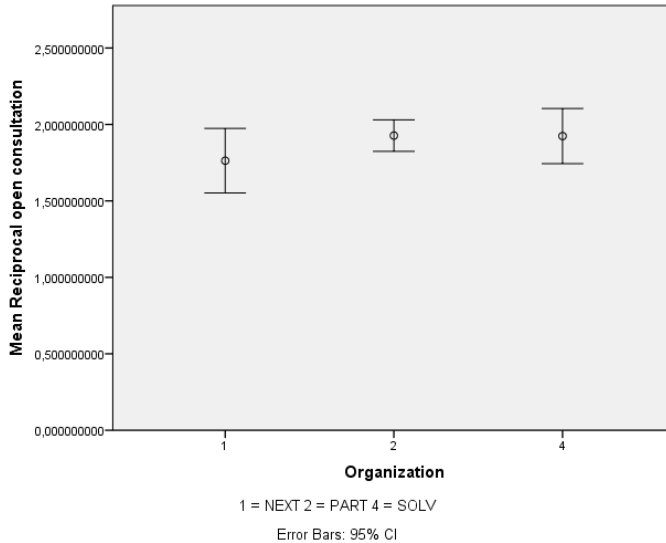
|                     | Legitimate power | Sanction power | Expert power | Identification power | Reciprocal open consultation |
|---------------------|------------------|----------------|--------------|----------------------|------------------------------|
| Mean PART           | -1.0260          | 1.0660         | -0.0104      | -0.0063              | 1.9271                       |
| Mean NEXT           | -2.1210          | 0.1882         | 0.2151       | -0.3871              | 1.7645                       |
| Mean SOLV           | -2.1228          | 0.4390         | 0.1682       | -0.1786              | 1.9241                       |
| Differences (ANOVA) | .000             | .000           | .550         | .126                 | .382                         |

Without next-higher with bootstrapping

(iv) Reciprocal open consultation shows no significant differences between cases. Respondents from all three cases feel that they have equal opportunity to influence decisions using arguments. That reciprocal open consultation scores very high independent from practice, might again be the result of the strong empowerment story, making it a shared value. If so, one would expect a positive relation between the variation in the reciprocal open consultation score and the strength of the story.

This is the case (Figure 3.3), as the variation within PART is the smallest (so the ideology the strongest), and within NEXT the largest (the weakest ideology).

Figure 3.3: Variation in score for reciprocal open consultation (non-next-higher)



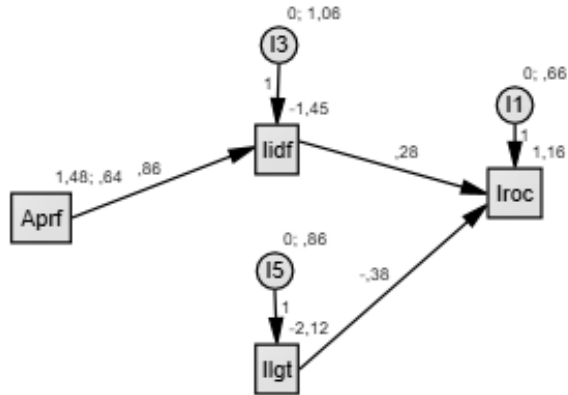
*Do power differences affect reciprocal open consultation?*

How power differences affect reciprocal open consultation, is analyzed using structural equation modelling. The score on open consultation is the dependent variable, and we use the other four power dimensions as independent variables. We include also connectivity and professional skill, both elements of individual prominence attributed to the next-higher, and according to the literature more prominent actors are inclined to use more power.

Within SOLV, open consultation is negatively affected by legitimate power ( $\beta=-0.37$ ;  $p=0.000$ ), and positively by identification power ( $\beta=0.37$ ;  $p=0.000$ ), which itself strongly correlates with skills ( $\beta=0.56$ ;  $p=0.000$ ). As identification power has a low mean, it does not reflect top-down power use, but group identification<sup>25</sup>. Indeed, the business philosophy was so strong that sometimes people from outside asked whether the company wasn't a sect (Derix, 2000).

<sup>25</sup> A group in which members feel closely related based upon mutual identification relations (in-group) (Mulder, 1984).

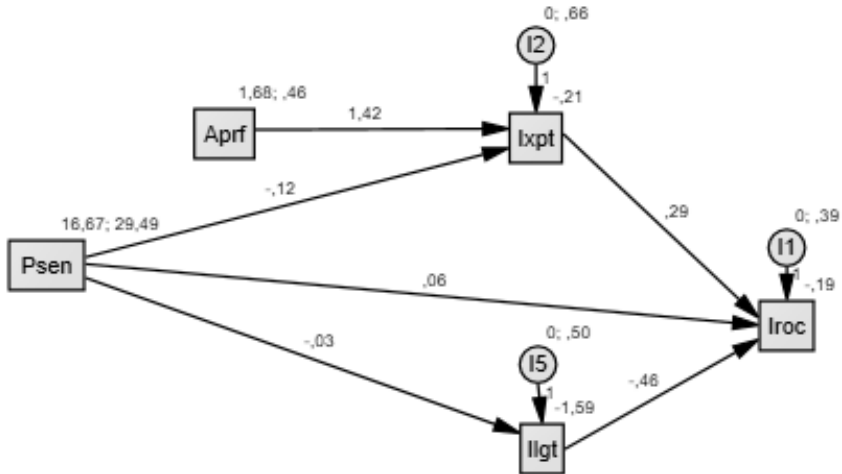
Figure 3.4: SOLV



(Iroc = reciprocal open consultation; Aprf = professional skill; Iidf = identification power; Ilgt = legitimate power)

Within NEXT, expert power takes the place of identification power, and the two correlate strongly. Also here, open consultation is negatively affected by legitimate power ( $\beta=-0.41$ ;  $p=0.000$ ), and positively now by expert power ( $\beta=0.50$ ;  $p=0.000$ ). Skill level affects expert power strongly ( $\beta=0.68$ ;  $p=0.000$ ). As expert power has a relatively high mean, group members within NEXT believe their next-higher know more about relevant subjects than they do. As expert power *positively* affects reciprocal open consultation, knowledge and expertise are not used as power source, which indicates that knowledge is shared. A main difference with SOLV is that here seniority plays a role: It negatively affects legitimate power ( $\beta=-0.24$ ;  $p=0.053$ ) and expert power ( $\beta=-0.45$ ;  $p=0.000$ ), and positively reciprocal open consultation ( $\beta=0.37$ ;  $p=0.000$ ). So, the more senior a group member, the less they follow their next-higher because of legitimate power, or expert power, and the more they feel engaged in reciprocal open consultation.

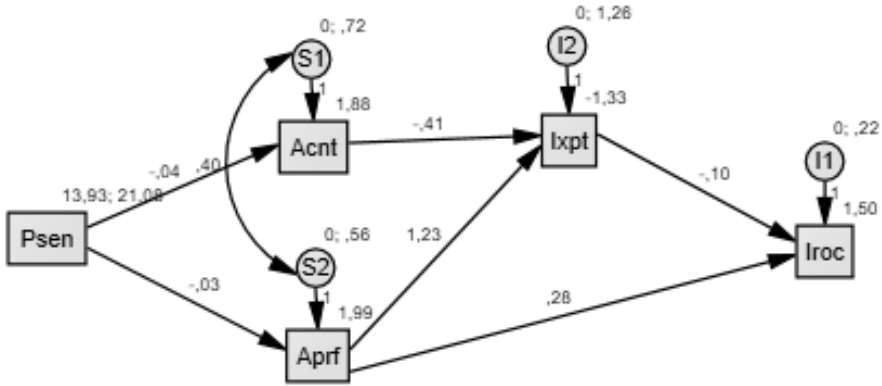
Figure 3.5: NEXT



(Iroc = reciprocal open consultation; Aprf = professional skill; Ixpt = expert power; Ilgt = legitimate power; Psen=seniority)

Where NEXT and SOLV show a negative effect of legitimate power on open consultation, PART lacks a significant relation between the two variables. This reflects that PART staff does see the use of legitimate power, but at the same time strongly believe in open consultation – without awareness of the contradiction. Expert power is positively affected by skills ( $\beta=0.69$ ;  $p=0.000$ ) but negatively by connectivity ( $\beta=-0.26$ ;  $p=0.018$ ), suggesting that the skill component of expertise is much more valued than the (network based) information component. Skills also have a positive effect on open consultation ( $\beta=0.43$ ;  $p=0.000$ ). Differently from NEXT, expert power has a *negative effect* on open consultation ( $\beta=-0.28$ ;  $p=0.013$ ). The high mean of both skill and connectivity (Table 3.14) suggest that PART staff believes that the next-higher has much expertise. But the negative relation between expert power and reciprocal open consultation, suggests that skills and information are not shared (Mulder, 1984), but used to influence decision making. Finally, as for NEXT, the more senior, the less group members value the professional skill and connectivity of their next-higher, suggesting that more senior employees feel more independently.

Figure 3.6: PART



(Iroc = reciprocal open consultation; Aprf = professional skill; Ixpt = expert power; Psen=seniority; Acnt = connectivity)

All goodness-of-fit indices achieved acceptable levels. RMSEA is close to good for NEXT and PART, and good for SOLV; TLI is acceptable for NEXT and PART, and good for SOLV; CFI is for all cases good; IFI is for all cases acceptable (Table 3.13).

Table 3.13: model fit

| Case | X     | Degrees of freedom | Probability level | CFI*  | TLI*  | IFI*  | RMSEA* |
|------|-------|--------------------|-------------------|-------|-------|-------|--------|
| NEXT | 5.716 | 4                  | .221              | .984  | .959  | .984  | .084   |
| PART | 4.799 | 3                  | .187              | .982  | .941  | .984  | .079   |
| SOLV | 1.081 | 3                  | .782              | 1.000 | 1.052 | 1.025 | .000   |

\* default model

CFI comparative fit index, TLI Tucker–Lewis Index, IFI incremental fit index, RMSEA root mean square error of approximation.

### *Individual prominence*

Theory predicts that individuals using more power are attributed with higher individual prominence. Table 3.14 shows that individual prominence attributed to the next-higher is stronger within PART compared to NEXT and stronger within NEXT compared to SOLV (but, self-evaluation attributed to the next higher, which is part of individual prominence, was not measured in the SOLV case). The difference is based on higher scores on attributed self-evaluation and on connectivity, but not on skill level. Connectivity includes recognition of connections of the next-higher inside the company with other groups, inside the company with higher level members and outside the company. Next-higher within PART are valued for their connections outside the organization as well as inside

between groups and with higher levels. This is in line with organizational design where coordinating activities with board, management, subsidiaries, customers and suppliers are reserved for managers. Within NEXT and SOLV coordinating activities are shared amongst group members, and groups often have dedicated sales persons which are not hierarchically higher. But the next-higher does have access to central decision-making. This is within NEXT reflected in the higher score on inside and upward influence and lower on outside influence. Within SOLV next-higher are hardly valued for their connections. This may be an effect of the good economic climate in which SOLV operated where organization members were less dependent on good connections.

Overall, the highest score for attributed prominence at PART and the lowest at SOLV confirms the differences in power use, which is also highest at PART and (for a long period) lowest at SOLV. In organizations with strong structural empowerment, the individual prominence attributed to the next-higher is relatively low.

Table 3.14: Individual prominence of the next-higher\*

| Next-higher | Mean  | Individual prominence |              |                 | Connectivity |         |        |
|-------------|-------|-----------------------|--------------|-----------------|--------------|---------|--------|
|             |       | Individual prominence | Connectivity | Self-evaluation | Skill        | Inside  | Upward |
| PART        | 1.504 | 1.2778                | 1.729        | 1.5052          | 1.1979       | 1.1615  | 1.474  |
| NEXT        | 1.269 | 0.7473                | 1.323        | 1.6905          | 0.9516       | 0.9194  | 0.371  |
| SOLV        | 0.720 | -0.0442               | <sup>1</sup> | 1.4836          | -0.0091      | -0.4099 | 0.275  |
| Differences | .000  | .000                  | .000         | .201            | .000         | .000    | .000   |

<sup>1</sup> This was not part of the questionnaire in SOLV; \* Ascribed by the group members not being themselves a next-higher.

### 3.7 Conclusion

In this chapter, we defined the characteristics of organizations that support structural empowerment and studied the relation between structural empowerment, politics, and the perception of power differences in organizations. Power theory suggests a differentiated approach to power, as power relations can be open, but more often hidden behind strong stories. This is a useful approach, as indeed stories about empowerment may be radically different from empowerment practices.

Comparing three organizations we found that (Q1) structural empowerment depends on (i) *specific organizational characteristics*: the establishment of groups that are limited in size (group size), in which group members coordinate their tasks themselves (group coordination) and job regulation responsibilities are



distributed amongst group members (group responsibility), where knowledge of the outcomes of work activities are strongly shared (task feedback), with an incentive system that rewards performance at individual and group and organizational level (total compensation), with minimal external influence of work group performance (outsider steering) and maximum control for group members (task autonomy). However, these organizational design characteristics are not enough, and need to be complemented with (ii) considerable *self-influence* which should include tactical and strategic decisions, and not only operational. The latter is again dependent on (iii) the legal and ownership structure. Specifically, more equally shared ownership, amongst more organization members, where ownership not only means sharing profits but also sharing voting rights on important decisions influencing the character of the organization. Unequal distribution of ownership, means unequal distribution of power sources which, at some moment, will be used, limiting the distribution of authority and responsibility.

Stories, politics, can have a strong effect on organization members' perception of the power distance (Q3). By using strong stories on empowerment, the perception of power can be influenced in that legitimate power is invisible and reciprocal open consultation becomes a shared value. Discrepancies between perceived power distance and the actual power configuration can be hidden behind strong stories. Through effective PR, organizations can build a reputation, internal as well as external, of being a self-steering company, without distribution of authority and responsibility.

However, the level of structural empowerment, and related power use, also influence the perception of the power distance (Q2). Even very strong stories about empowerment do not completely hide power differences, as organization members still see power use, even if they are not always aware that there is a large discrepancy with the dominant story. The less structural empowerment, the larger the power distance in one or more dimensions (legitimate power, expert power, sanction power and/or identification power), and this has a negative effect on reciprocal open consultation. This does not mean that the belief in reciprocal open consultation becomes low: it is lower but due to the story may remain strong.

Investigating the role of personal characteristics as seniority and prominence, on the perception of the power distance (Q4), this did not lead to many clear results, apart from the role of seniority: more senior employees feel more independently and in their perception power distances are smaller. In organizations with strong structural empowerment, the individual prominence attributed to the next-higher is relatively low.

### **3.8 Discussion and further research**

Our findings show how structural empowerment is about power and power sources, which is almost neglected in the literature. An unequal distribution of power may not hinder that organization members believe in structural empowerment, which ends up as an ideology more than a practice – as our PART case shows. On the other hand, structural empowerment – defined in our study in terms of distributed ownership, self-influence in groups, and specific organizational design – can result in changing power distributions and changing power use. Consistency between legal design and ownership, organization of decision making and organizational design may result in a more equal distribution of power and in a functioning model of delegation of authority and responsibility. Both SOLV and even stronger NEXT indicate how this could work.

The differences between these two cases are interesting too. SOLV functioned very well in a flourishing market. As soon as the market deteriorated, SOLV was sold to a traditional company by the few owners. NEXT has operated successfully for years in market circumstances far more difficult than SOLV. The most striking difference between the two is shared ownership. Companies in crisis situations show centralization of power. This is only possible if power is centralized through legal design and ownership. Differences between the subsidiaries of NEXT show that unequal distribution of ownership evoke power use and hinder reciprocal open consultation in those subsidiaries. This suggests that for self-steering to survive in the long term, distribution of legitimate power (i.e. ownership) is crucial.

Overall, this chapter contributed by developing a definition and operationalization of the concept of structural empowerment, and showed that different levels of structural empowerment exist in practice. Furthermore, radical structural empowerment is possible, as we showed with one of the cases. Finally, the chapter also suggests that organizational politics probably is never completely concealing, as organization members do see real power distances and power use that exist behind strong stories.

Reciprocal open consultation, the non-power relationship, plays an important role in empowerment and self-steering, which suggests that self-steering is about absence of power. However, power is part of every social system (Mulder, 1984). Even when power sources are shared through structural empowerment, there still will be more-powerful organization members, for example because of more personal power sources, motivated to retain and enlarge their power and using politics to legitimize and hide their individual power use. Because of the unavoidable influence of power, self-steering is not about creating cultures of power-free dialogues (Habermas, 1990) but about creating awareness of the

influence of power. Self-steering is therefore a matter of degree in creating a power balance. SOLV and NEXT show that it works. But always to a certain extent.

The results also point at further research. As we showed, hierarchical positions are partly based on legal and fiscal demands inflicted upon private companies. Other legal organizational forms exist that support more strongly horizontal power relations, such as cooperatives. We did study a self-steering company with such a cooperative structure, but we found the company too small to add as a fourth case. However, a cooperative form proved not to solve all problems, as outside demands from customers led to the introduction of an LLC as owner of the cooperative.

This study has several limitations which also suggest further research. It is based on three in-depth case studies in the same market, which limits generalization. Further case studies in other markets would be needed. Another question – which we touched on in the NEXT case – is how organization-wide problem solving can be addressed. The more distributed power is, the less clear it is how decisions can be taken at the higher level, especially when they hurt within times of crisis.

We also found that the deployed instruments need further sharpening. For example, a challenge would be to find items to measure reciprocal open consultation and legitimate power, in a way that is less prone to the influence of empowering stories.

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<sup>26</sup> Specific names have been replaced by BV (LLC), eigenaar (owner) and medewerker(employee) respectively for privacy/confidentiality reasons



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