Autonomous groups between power and empowerment

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Chapter 5: Self-steering and its' sustainability: A longitudinal case study

Abstract

During crisis situations, organizations often face recentralization of power and strong centralized leadership. This would imply that decentralized organizational concepts as self-steering are vulnerable during such situations. In order to better understand the viability of such decentralized models, we analyze in this chapter the life cycle of an organization based on self-steering from its foundation, the booming period, to crisis and take-over by a traditional organization. We show what happens over a longer period with the former staff and with the remainders of the company. This leads to some lessons for a sustainable model of self-steering.

Introduction

Self-steering, empowerment and other management strategies remain popular in management science and practice, given the many books, articles and even documentaries that have appeared about these concepts recently (Laloux, 2014; Kolind and Bøtter, 2012; Kuiken, 2010). Studies also have shown that quite some companies have introduced (elements of) self-steering organizational models, e.g., Maynard et al. (2012) report that in 2001 approximately 70% of organizations were found to have adopted some form of empowerment. For the Netherlands and Flanders, Benders et al. (2010) tried to determine how many organizations work with self-steering teams. Due to limited data and measurement differences, estimates are difficult to provide. Nevertheless, Benders et al. reported that a large minority of organizations in The Netherlands and Flanders make use of self-steering teams and that the use of self-steering teams seems to remains stable. Finally, Vereyken et al. (2017) showed for Belgium and for Flanders a decline between 2007 and 2010 and stabilization afterwards.

A decline after 2007 is not unexpected. Empowering management concepts were adopted partly to solve organizational issues, such as staffing shortages under tight labor market conditions, the need for more flexibility in dynamic markets, higher motivation and commitment, and productivity (Randolph, 1995; Spreitzer et al., 1997; Kirkman and Rosen, 1999; Koberg et al., 1999; Kraimer et al., 1999; Liden et al., 2000; Carless, 2004; Chen et al., 2007; Harris et al., 2009; Seibert et al., 2011; Maynard et al., 2012). In periods of crisis these goals become less dominant as the task ahead is how to cope with the crisis and to the post-crisis situation. Under external pressure – as in crisis situations – centralization of decision making and reviving traditional power relations may return quickly. In fact, research has shown that in periods of crisis organizations tend to show (re)centralization of power (Mulder, 1984; Boin and ‘t Hart, 2003; Drabek and McEntire, 2003), and this would then explain the decline found by Vereyken et al. (2017).

Longitudinal studies on rise and eventual decline of self-steering or empowerment in organizations are lacking.[34] When organization members work under conditions of self-steering or empowerment, they may get used to higher levels of authority and responsibility. Organization members may have acquired power sources, or may think that they have power, but in both cases the question is how they react on efforts to return to more traditional management concepts and authority relations. Coping strategies may become visible (Hirschman, 1970) as organization members may try to defend the self-steering conditions (voice), may accept the new situation (loyalty), or may leave the organization as they do not like the changes at hand (exit).

In this chapter, the main question we answer is: *How do self-steering organizations behave under crisis?* For this we do study a company that fully and radically implemented models of self-steering, which made it easier to grow fast in a period of labor shortages and a booming ICT market. As in many other companies, problems emerged when around 2000 the dot-com bubble started to collapse, which did put the self-steering model under heavy pressure. We describe how the company was taken over, and how the organization members reacted on this. In other words, this chapter adds to the unexplored question of sustainability of modern organizational concepts as self-steering. We analyze why voice was rather low at the decisive moment although in earlier situations the members had resisted top-down interventions successfully. We also study the strategies adopted in the period after the decision to sell the company was made, by analyzing the careers of the former members in the 10 years after the takeover. Do they try to find other places to work where self-steering is still practiced, or do they remain in the new, hierarchical, company? And, do these choices relate to personal characteristics?

5.1 Theoretical framework

New organizational forms

Self-steering is rooted in theories on autonomous groups and on self-managing work groups, which already were formulated in the late 1960s. A main reason to

[34] We found two studies: Laschinger et al. (2004) and Silver et al. (2006), both covering a three years period. The first paper uses the three years to test causality about the effects of empowerment, and not the development of empowerment over time. The second only covers the phase of implementation of empowerment, and not the subsequent life cycle of empowerment over a longer period as we aim to do in this chapter.

introduce autonomous groups was to reduce the problems that emerged in many organizations such as decreasing performance, worker dissatisfaction, and high levels of turnover, absenteeism, and vacancies due to a tight labor market (Manz and Sims, 1987). In the 1980s autonomous or self-managed work groups were used in organizations to deal with increasing interdependence, complexity and uncertainty in their environments. Primary theoretical basis for self-management is the socio-technical systems theory (Manz, 1992), which originated from the Tavistock Institute of Human Relations. One of the research topics was the impact of the introduction of self-managing teams on quality of working life (van Eijnatten and van der Zwaan, 1998). The core idea behind self-management is that increasing the amount of behavioral control and decision-making autonomy at the work group level would improve the quality of working life, increase flexibility, and make a company more appealing to workers (Manz, 1992).

Although socio-technical systems theory did claim positive effects of these organizational interventions, other studies pointed out that stories about self-management may be a myth about employee influence rather than a reality (Hardy and Leiba-O'Sullivan, 1998; Harley, 1999). The discussion about how far self-management includes real influence resulted in a theoretical distinction between self-management and a new concept 'self-leadership' (Manz, 1992). Both are grounded on the concept of self-regulation in which individuals and groups perceive and compare the current situation with standards that are set and then change their behavior in order to reduce any discrepancies from the standards (Stewart et al., 2011). Self-leadership focusses at what is to be done (e.g., standards and objectives) and why (e.g., strategic analysis) as well as how it is to be done. Self-management on the other hand is restricted to how work is performed in order to help meet standards and objectives that are typically externally set (Stewart et al., 2011). Both strategies of self-management and self-leadership aim at changing behavior of organization members, but they use different motivational strategies: Self-management does focus on extrinsic motivation for example through external rewards, whereas self-leadership also focuses on intrinsic motivation through cognitive processes for example by allowing workers to set their own performance goals and allowing workers to redesign where and how they do their work to increase the level of natural (intrinsic) rewards in their job (Manz and Sims, 1991; Stewart et al., 2011).

Under conditions of self-leadership, organization members tend to perform better because they 'want' to rather than because they 'should' (Manz, 1992). Self-management and self-leadership differ in terms of the amount of self-influence which organization members are allowed (Stewart et al., 2011). Focus with self-management is on meeting demands of the surrounding system, such as standards and goals. With self-leadership focus is also on evaluating the appropriateness of these standards and goals. Summarizing, self-management and self-leadership are part of a continuum (Figure 5.1) of work team empowerment (Manz, 1992).

Figure 5.1: continuum of work team empowerment (Manz, 1992; Stewart et al., 2011)

EXTERNALLY MANAGED TEAMS	–	PARTICIPATIVE TEAMS (E.G. QUALITY CIRCLES)	–	SELF MANAGED TEAMS	–	SELF LEADING TEAMS
Not influence over What, How, and Why of work				Influence over How of work		Influence over What, How and Why of work
Dependent only on extrinsic incentives				Mainly dependent on extrinsic incentives		Dependent on intrinsic and extrinsic incentives

Although it is said that self-leadership refers to intrinsic motives, external leaders remain playing a crucial role; they provide the sources for extrinsic motivation, and they develop self-leadership strategies, as mentioned above, in order to optimize the performance of subordinates (Manz and Sims, 1991; Cooney, 2004). Therefore research focuses on the appropriate roles and behavior of external leaders of the group to make self-leading teams work (Manz and Sims, 1987; Kirkman and Rosen, 1999; Stewart et al., 2011). Understudied however is the role power plays in self-leading teams, and the way it is perceived in organizations.

Power

Power is here approached as an unequal relation between two individuals or groups in which one influences or determines the behavior of the other more than the reverse. The difference in power – or the *power distance* – can vary from very little to very large. And interpersonal power differences can be measured through the perception of the less-powerful. The power distance has different dimensions, based on various power sources (French and Raven, 1959; Pfeffer 1981; Mulder et al., 1983; Mulder, 1984; Hofstede, 1984):

- 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 he is therefore willing to follow the more-powerful.
- Legitimate power: the less-powerful is willing to follow the more-powerful because he believes he ought to, based on the formal position the more-powerful has within the organization.

- Expert power: the less-powerful believes that 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, and is therefore willing to follow him.

In power relations, individual prominence plays a role (Mulder, 1984), which is based on factors like connectivity and professional skill which the less-powerful attributes to the more-powerful.

The relational concept of power is relevant for the discussion on self-leadership and empowerment in that it seeks for strategies and organizational concepts that result in a distribution of power: structural empowerment of the organization members, which implies a distribution of authority and responsibility (Seibert et al., 2004; Maynard et al., 2012). Mulder (1984) made that explicit by adding a non-power relationship, which he labeled reciprocal open consultation (or open argumentation). In this relationship everyone, including the more-powerful in the social system, is prepared to be persuaded by good arguments of the others. Reciprocal open consultation leads to a situation of authority and responsibility in which every individual can and should take initiative and bring ideas and questions into the relationship (Mulder, 1984). Reciprocal open consultation not only supports self-steering but also asks for it. Apart from the explicit distribution and use, power has also a discursive dimension which may hide power relations from being observed, and influences the perception of the level authority and responsibility (Hardy and Leiba-O'Sullivan, 1998; Doorewaard, 1989; Doorewaard and Brouns, 2003). In this view, power is embedded in the stories organizations tell about themselves, and these stories help to reproduce everyday beliefs and practices, to produce apparent consensus and acquiescence, and they replace visible controls by hidden cultural forms of domination (Hardy and Leiba-O'Sullivan, 1998). In chapter 3 and 4 we showed the influence of stories on the perception of power. Strong empowerment stories may make organization members believe they have control over their work, even when no distribution of power has taken place.

Power and crisis

In situations of crisis, important goals of the social system are at stake, and the probability that these goals will be reached becomes (often too) small; the system runs under time pressure in responding or in preparing for its response (Mulder, 1984). People experience crises as episodes of threat and uncertainty, a grave predicament requiring urgent action (Boin and 't Hart, 2003).

The management approach in crisis has long been characterized by centralization of power, concentration of decision making and hierarchical, top-down communications in order to regain control over chaos and maintain command over the crisis situation (Drabek and McEntire, 2003). In this approach, crises threaten the status quo and delegitimize the underpinning policies and institutions (Boin and ‘t Hart, 2003). In this approach, it is also assumed that under crisis circumstances people expect and call for strong leadership. They voluntarily accept a large power distance to the strong leader, the graver the crisis, the more organization members believe that a concentration of power is needed (Mulder, 1984): crisis management becomes an issue of strong leadership (Boin and ‘t Hart, 2003). However, in coordination literature there are critics who regard the command and control approach to be too static and rigid (Drabek and McEntire, 2003; Dynes, 1994; Wolbers et al., 2017). Instead of assuming that crises will have a disorganizing effect upon individuals and therefore new structures are needed and actions need to be designed and controlled, it builds on the acceptance of ambiguity and discontinuity, on cooperation with members from the existing structures and allowing them to decide, adapt and solve problems. So even in crisis management, approaches based on distribution of authority and responsibility are by some considered more effective.

Research questions

We conduct a case study of the full life cycle of an organization with a very strong self-steering ideology combined with a concentrated ownership structure. We answer the following questions:

- Q11: How did the members perceive the role of power in the organization, and how did this influence their self-steering behavior?
- Q12: What happened when the dot-com crisis of the early 2000s hit the company, and how did members react on the plans and interventions of the owners to survive the crisis?
- Q13: How did employees react on the takeover by a traditionally organized company?

So in more general terms, does self-steering under conditions of crisis disappear, and do organization members accept the loss of authority and responsibility under those conditions? Is this acceptance dependent on contextual factors such as the strength of the empowerment and self-steering narrative, and on personal characteristics? And what happens afterwards?

5.2 Data and methods

We conducted a longitudinal study of a company SOLV using a mixed method approach. SOLV was founded in 1996, evolved into a subsidiary of TVW, was sold to DINR, a larger company, in 2004, ending with a partial buyout in 2012. We used a mixed method approach, and the methods used differ per phase we study.

(i) For analyzing the early distribution of authority and responsibility we used *documents* that were made available by the organization (TVW, 1998b; TVW, 1998c; TVW, 1999; TVW, 2000; TVW 2001c): statutes, agreements, contracts and annual reports. From these documents, we retrieve the legal decisions (e.g. appoint, suspend and dismiss directors, issue shares, change statutes, dissolution, merger, and split up of the company), who takes these decisions (bodies, and their members) and how (distribution of votes and how many votes are needed to decide). We also extracted how legal ownership of the company is shared, using an up-to-date overview of the amount of shares per owner. The documents also inform about who are influential in formal decision-making. To analyze the 'story' and organizational politics, corporate *documents* were used like newsletters (Sinteur, 2002) and internal publications (TVW, 1998a). Finally we had documents explaining important decisions (TVW, 2001a; TVW, 2001b) and describing the organization (Derix, 2000).

(ii) The author of this thesis was employed in the organization, and could *observe* the nature of empowerment and self-steering in a detailed way (in Phase 1). Of course, this may introduce subjectivity and bias in the observations. The observations were part of a study of power and self-steering within SOLV (Sinteur, 2002), and a summary of the study was read by one director of SOLV and two TVW founders who confirmed the accuracy of the descriptions. Furthermore, the observations were intensively discussed with the supervisor of that study. Together, we would claim that these procedures resulted in correct descriptions (Drori et al., 2009).

(iii) We *surveyed* the staff of SOLV (Phase 1, 2) in order to find out how they perceived the power relations with their next-higher, using a validated instrument for measuring power distance, the Interaction Analysis Questionnaire (IAQ) (Mulder, 1984). For the 112 members of business projects (groups) that filled in the questionnaire, their next-higher is the business project initiator (Dutch: 'BP trekker'), for the 18 business project initiators that filled in the questionnaire, their next-higher is the company coordinator (Dutch: 'BV trekker'). The IAQ instrument distinguishes four power dimensions (see section 5.1): legitimate power, sanction power, expert power, and identification power. It also measures the non-power relationship, reciprocal open consultation, and the skill level and the degree of connectivity attributed to the next-higher. All variables are measured with three to five items, like 'It is my opinion that I should follow his leadership under all circumstances' for legitimate power, 'I would feel uneasy if he did not appreciate my work' for sanction power, 'I follow his advice readily because he is better informed or skilled than I am' for expert power, 'I would like to do many things the way he does' for identification power and 'He is amenable to persuasion if the arguments I put forward in support of my view are better than his' for reciprocal open consultation and 'He is a highly skilled professional' for professional skill and 'He has considerable influence on what is happening on the hierarchical levels above him' for connectivity.

The first phase of the companies' life cycle was studied in 2001-2002. More than ten years later we investigated the aftermath of the company: where did the former SOLV employees go, and why. Has self-steering disappeared from their context, or have they kept working under conditions similar to those of SOLV?

(iv) The first task was *to trace* the staff that were working with SOLV at the time of the previous study. This was mainly done through the web by using LinkedIn, and for the rest through a snowball approach. In fact, we could trace many of them (95% of SOLV staff) rather easily: the old network still was in-tact, as we could observe using LinkedIn.

(v) We used information about the careers and the affiliations of those we found on the *web*, and within *LinkedIn*. We were especially interested in how the staff of SOLV did react to the changes during and after the takeover. The information from the web provided data for that: are former SOLV staff employed in traditional organizations, or did they move to self-steering organizations, and of what kind? We distinguished between: (a) employee traditional organization; (b) employee self-steering organization; (c) entrepreneur (freelance, one man business), (co)owner TVW spinoff or other company.

(vi) We *interviewed* members of NEXT, a spinoff of SOLV (phase 4) to find out the history of this spinoff and the power used in decision making that lead to establishing an independent organization.

(vii) We used a *follow up-questionnaire* to measure whether the motives to stay with DINR and the motives to leave SOLV or DINR were related to the opinion about self-steering. The questionnaire consisted of several items based on the work-related motives suggested by Kooij et al. (2011), for example ‘sufficient autonomy’, ‘salary’, ‘secondary benefits’, ‘opportunities for continued growth’ and provided the possibility to formulate own motives and explain answers.

5.3 The case: SOLV

Here we give a brief description of the organization from its founding in 1996 to its dissolution in 2004 when it was bought by another IT company. SOLV was a company offering ICT project management and consultancy services. Since it was founded in 1996 SOLV fully consisted of self-steering groups. These self-steering groups were autonomous micro-enterprises named *business projects*. Business projects took care of their own recruitment and selection, they developed their own products and services and they acquired their own clients and assignments.

Everyone within the company could start a new business project on the sole condition that it was based on a business plan which was reviewed by a group of colleagues selected by de business project itself. As soon as the business plan was approved, the new business project existed. Every business project had its own balance sheet which was published on the companies’ intranet. It included all costs and profits broken down to the level of individual members, visible for everyone within the company. Members of a business project decided together about their salaries. In addition they decided about the way the 15% of the profit of their business project was divided amongst them. Furthermore employees could buy share certificates that made them share in profits of SOLV. A business project lasted as long as it made a profit and as long as members enjoyed their work. Whenever a business project ended, members joined another business project or started a new one. Employees without a business project were given a limited period of time to find a new business project. If they did not succeed they were laid-off.

SOLV had no staff departments, no office management, account management, personnel management or other management. Depending on the situation business project members fulfilled certain roles, e.g. marketing, sales, business project initiator (Dutch: ‘BP trekker’) but these roles were basically temporary. SOLV had a few shared services e.g. a back office to take care of accounting and billing. Business project initiators were member of ‘Panorama’, the meeting where decisions were taken on collective matters. The business premises, a former mayor’s residence, functioned as a meeting place and the ground floor was furnished as a *grand café*. The remainder of the premises consisted of a limited number of meeting spaces and work places. Employees worked mainly at the customers site or at home. They had all means of communication at their disposal, e.g. mobile phone and laptop, to keep in contact.

The three founders of SOLV came from BSO, a company based on a cell principle[35] (Wintzen, 2006), and were inspired by the ideas of Ricardo Semler (1993). They formulated as their mission to build a company in which people would work together with enthusiasm and pleasure and in which ambitions instead of structures were the point of focus (TVW, 1998a). The company culture was based on five pillars: respect and trust, own responsibility, natural entrepreneurship, talents above structures, and synergy between people.

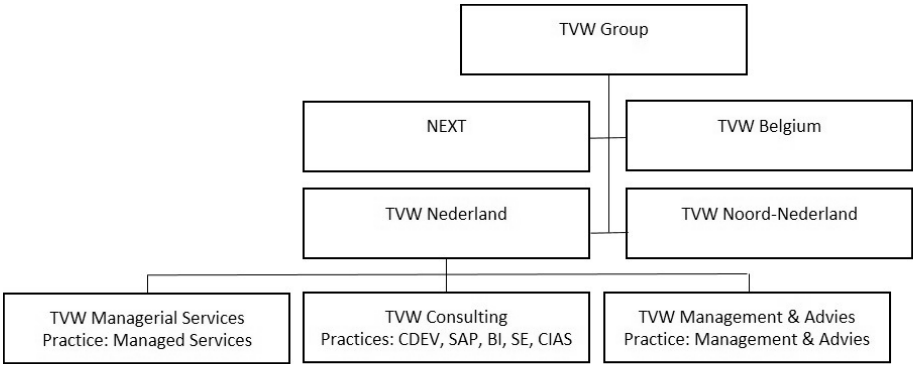
The level of self-steering and the company culture was an important source of distinctiveness in the market. Because of this business approach, SOLV was able to grow relatively fast despite a tight labor market. In three years the company expanded from 3 to about 200 employees. As from 1999 more companies were founded next to SOLV, offering services and products in different parts of the ICT value chain, but sharing the same self-steering approach. To enable this development, an umbrella company was established in 1999: TVW, a holding that in line with the philosophy was called a 'network'. The shares of the subsidiaries were owned 51% up to 100% by TVW. By the end of 2000 TVW had 9 subsidiaries and 508 employees and the net sales was 46 million euro (TVW, 2000). One of the new subsidiaries was NEXT. It was established in 1998 first as a business project within SOLV, and in 1999 it transformed into a subsidiary of TVW. It focused on improving the financial function within organizations.

TVW had two types of shares, shares with voting rights and shares which entitled to a part of the profit of the company. In 2001 the three founders (called the *webmasters*) and an external investor each owned 21% of the shares with voting rights. A fourth webmaster who joined the company later owned 10% of the shares with voting rights. The remaining 6% were owned by one employee (TVW, 1998b). The six owners of the shares with voting rights together owned also 70% of the other type of shares. The other 30% were owned by employees: 18% directly, 12% through share certificates. This distribution implied that a group as small as six people could formally decide on the future of the company, and by owning 70% of the other shares, their part in profits was also high. At the end of the 1990s, the main owners wanted to increase the tradability of the shares, and explored the possibility of a stock market launch – which became impossible though the outbreak of the dot-com crisis. Another argument to abandon the idea of a stock market launch was that the owners did not want to lose grip on future owners. At the same time the revenues started to decline, and the owners started to explore the possibilities of a strategic alliance. To attract partners for such an alliance the company was restructured. In 2003 business projects were merged

[35] A subsidiary is an autonomous "cell" which splits as soon as it grows beyond 50 members in order to remain formal and flexible.

into so called ‘practices’ which were placed into a new, simplified and hierarchical structure (Figure 5.2) with corresponding management positions.

Figure 5.2: structure TVW 2003



In 2004 TVW was sold to DINR, in that period one of the largest IT firms in the Netherlands – but organized in a ‘traditional’ way. All subsidiaries of TVW were integrated in DINR except one, NEXT, which remained an independent subsidiary. DINR grew strongly due to many acquisitions, from 800 employees and a turnover of 67.9 M-euro in 1995, to 3700 employees and a turnover of 360.3 M-euro in 2000, and further to a turnover of 443.9 M-euro and 4190 employees in 2005. Due to the economic crisis it reorganized beginning of 2009 (source: Wikipedia page of DINR). Since 2011 it has sold all its undertakings, NEXT being the last one.

5.4 Findings

Phase 1

We used the IAQ to measure the perception of the power distance. Although the company was owned by only a few of the many members, legitimate power was conceived by the whole staff as being irrelevant within the organization. In contrast, reciprocal open consultation was seen as the dominant influence factor. Although the more-powerful were perceived as highly skilled, also expert power was seen as irrelevant, indicating that knowledge was shared and not used as a power source. Sanction power played a small role, but sanctions should not be understood as in terms of penalties involving material consequences but as psychological rewards of appreciation. This means that in the perception of the employees, decisions were made in open consultation, and by giving equal weight to the each participant’s contribution. Obviously, the employees perceived the organization as one focusing on the content of the arguments. Employees acted upon this perception. In fact, groups were autonomously making decisions concerning group goals like turnover and profit, recruitment and selection of new group members, appraisal of group members resulting in salary increases and even resignation, product development and acquisition. New groups were created easily to meet new demands in the market. That is, they could decide what is to be done, why as well as how it is to be done. The result was de facto highly autonomous groups. So, the perception of the power distance was in accordance with the business philosophy and with the practice of decision making. In order to investigate whether this perception was similar throughout the organization, we analyze whether business project members with a next-higher role differ in personal characteristics (Table 5.1), and have a different perception of power (Table 5.2) than the other members.

Table 5.1 shows that next-higher in general are more senior than other group members. Table 5.2 shows that next-higher only differ significantly on connectivity and expert power from the others. That both groups show a strong belief in reciprocal open consultation and strongly reject legitimate power, reflecting the power of the ideology. Sanction power plays a larger role, and more so for next-higher. But sanction power as measured by the AIQ reflects approval by the next-higher, a (positive) psychological sanction or "a kind of social acceptance" (Sinteur 2002; Mulder, 1984: 62), and not coercive sanction power (French and Raven, 1959; Conger and Kanungo, 1988).

Table 5.1: Personal characteristics by role[36]

Personal characteristics	Age (years)	Salary	Length of service TVW (months)	Number of BPs
Non-next-higher	33.7	3417	21.5	1.5
Next-higher	37.0	4488	38.6	2.0
Differences (ANOVA)	.009	.000	.000	.004

[36] These characteristics are as measured in July 2001 except for the length of service TVW (with SOLV and any other subsidiaries of TVW) which is measured at the moment of the takeover.

Table 5.2: Influence factor by role

Influence factor	Legitimate power	Sanction power	Expert power	Identification power	Reciprocal open consultation
Non-next-higher	-2.1228	.4390	.1682	-.1786	1.9241
Next-higher	-2.0000	.7986	-.5463	.2000	1.5833
Differences (ANOVA)	.596	.118	.054	.229	.165

Influence factor	Connectivity	Professional skill
Non-next-higher	-.0442	1.4836
Next-higher	-.6935	1.2894
Differences (ANOVA)	.030	.327

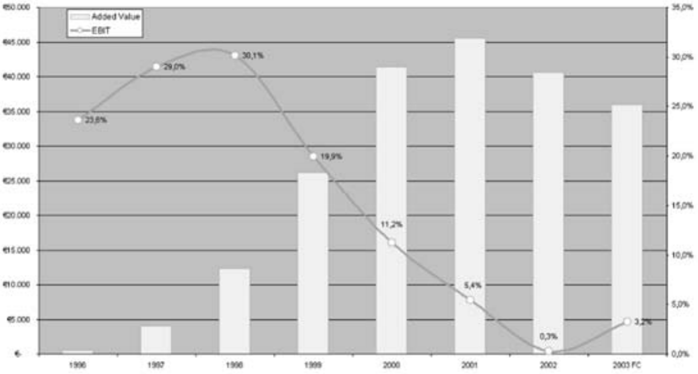
So one may conclude that organization members within SOLV perceive themselves as self-steering, with a strong distribution of authority and responsibility to the lowest level where a competent decision can be made (Maynard et al., 2012; Seibert et al., 2004), despite the strong structural power differences based on ownership. Since they perceived the philosophy of self-steering and the related company culture as real, they behaved accordingly and doing so made it real in its consequences (Thomas theorem). In fact, members on several occasions were able to block plans proposed by next-higher. E.g., a business project initiator wanted to split the group, which was simply not accepted by the group's members (Derix, 2000).

The differences between the two groups reflect that both have a somewhat different relation with their next-higher. Next-higher are elected because they were more senior. Non next-higher follow their next-higher because of their knowledge and information, and they are more dependent on the connections of their next-higher, than the next-higher are on the connections of their next-higher. The relation between the next-higher and their next-higher is different as they belong to the same group in terms of seniority, connectivity, and in terms of membership of organizational decision-making bodies.

Phase 2

Self-steering worked well in a booming economy, but how did the company develop during the dot-com crisis? Already in 1999 profitability (EBIT: Earnings Before Interest and Tax) of TVW started to decline from more than 30% in 1998 reaching the lowest rate of 0.3% in 2002 (Figure 5.3). Revenue grew over 45 million in 2001 wherefrom also sales dropped.

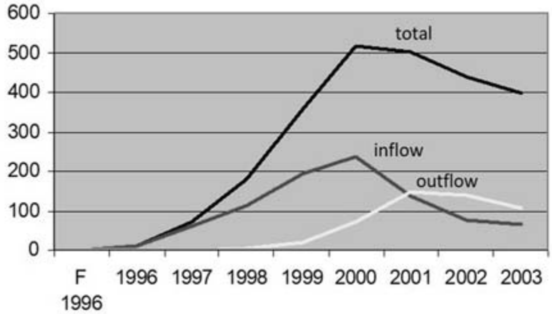
Figure 5.3: Added value and EBIT TVW



During the first years, the business projects had demonstrated their ability of professional self-steering. However, seen from an economical perspective, their response to changing circumstances was not adequate enough. Various business projects continued their work despite negative profits, and it appeared to be difficult to stop own groups (and join another). As a number of people within the company were owner of share certificates, and because all group members shared 15% of the profit of their business project, organization members felt the results of declining revenues and profits personally. But, still having their base salary, this was not enough to stimulate an effective response.

In economic good circumstances, there was no strong need for fast liquidation of underperforming groups. Given the unequal distribution of shares, and with it, votes, this changed in times of economic crisis, and the owners of the company felt an increasing need for interventions. They decided changes in the organization that limited the autonomy of business projects, and formulated a new strategy for TVW. They initiated a change in the terms of employment, through which business projects became obliged to have their business plans, budget, wage rates and benefits, and the quarterly results reviewed by a committee that no longer only advised but could also imposed measures. Subsidiary coordinators and financial administration became mandatory members of the review committee, so positional (legitimate) power increased (TVW, 2001b). The owners announced in a special edition of an internal newsletter in 2001 that they decided to concentrate on the well performing activities within the organization, implying a critical evaluation of underperforming units. As a result by January 2002 some units were dissolved and about 70 people had – not always voluntary – to leave the company.

Figure 5.4: Staff turnover TVW



For their intervention, the owners of the company needed to use their legitimate power, in conflict with the strong business philosophy. To prepare for that, a report was published that started to delegitimize the 'five pillars' of the company philosophy, as these were now said to create "too much freedom and responsibility; and there are too few guidelines, which makes employees feel lost and insecure" (TVW, 2001a). The report paved the way for intervention and for guidelines that were implemented when the economic crisis started. Eventually the organization is restructured as from 2003, and as became clear later, in order to fit in the structure of the company to which it was sold in 2004.

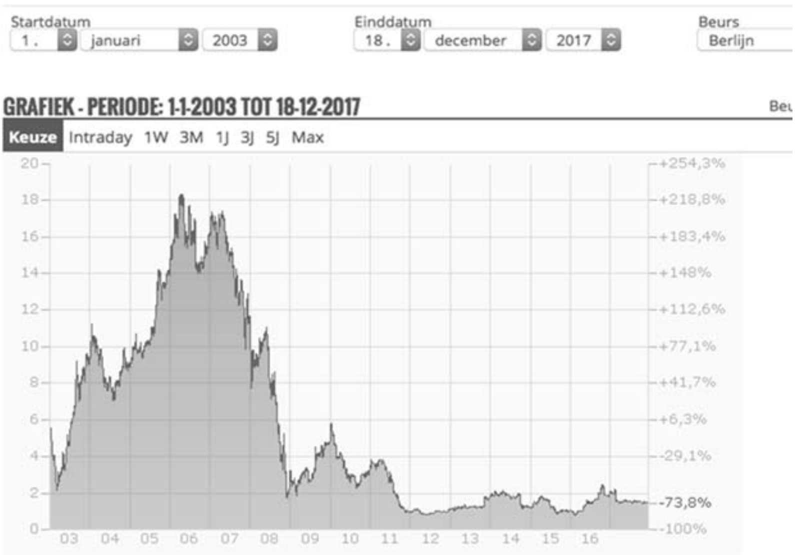
The employees expressed aversion against this use of legitimate power, and its sudden dominance over reciprocal open consultation. But the growing use of legitimate power by the owners confronted them with the reality of the power of ownership and voting rights. These rights had always been there but never explicitly used, and therefore hardly noticed. Many employees were shocked by this paradigm change. The psychological contract in which TVW/SOLV promised employees power in return for their involvement and commitment, was severely damaged. The owners organized the decision making process in which there were no alternatives that could have met the needs of the employees, who were not involved at all. But employees did not show any activity to organize collective resistance.

The case shows the complex relation between power and structural empowerment. One main condition for structural empowerment was not met: the distribution of ownership. So self-steering was partly reality, in terms of the organizational design and decentralized decision making. Together with the very strong empowerment story, for quite a while it made itself real, and restricted the possibilities for using legitimate power. However, with the advent of the economic crisis in the IT sector, the narrative nature of empowerment became obvious, and the ownership distribution became dominant over the other organizational characteristics.

Phase 3

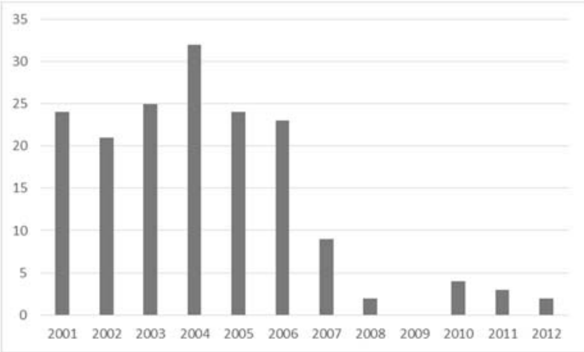
DINR took over TVW/SOLV, as part of a strategy of growth by acquisitions. The main aim of DINR buying TVW was to strengthen their portfolio with knowledge of business applications like SAP and Microsoft. When the takeover was announced, DINR was rewarded by a rise in stock value worth the amount they paid for TVW. The growth strategy kept working until the banking crisis of 2007, when for DINR profits and shareholder value decreased fast. And this downturn has not been reversed until now (2017).

Figure 5.5: Shares of DINR



What happened with the SOLV staff after the takeover? In 2001, 192 employees were working with SOLV. We traced the career of 177 (92%) of these professionals through the internet, mainly through LinkedIn. Using the information presented at LinkedIn, we found that since the start of the crisis in 2001, 169 of them left the company: 70 left before and 99 left after the takeover. The employees who left after the takeover stayed with DINR on average 27 months, so the process of leaving DINR was not an effect of problems in that company: When the crisis started in 2007, almost all had already left (Figure 5.6). At the end of 2014 only 8 of them still work at DINR.

Figure 5.6: Number of employees leaving TVW and DINR



So, many former SOLV employees started to leave DINR fairly quick after the takeover in 2004. In order to investigate whether this was due to the differences in organizational culture between SOLV and DINR, we asked the former SOLV employees in a follow-up survey (in 2017) why they stayed with or left DINR. From the 44 respondents, only a few percent is still at DINR. Thirteen had already left before the takeover by DINR, some because they were made redundant, and of the others about half mentioned self-steering among their arguments: they did not want to join DINR as that would be a loss of self-steering. Of those that were employed by DINR but left, about 60% mentioned the lack of self-steering as one of the motivations to change jobs (Table 5.3). Those that stayed with DINR did not refer to self-steering at all.

Table 5.3: Importance self-steering

Self-steering	Left before takeover	Stayed at DINR	Left DINR	Total
Important	4	0	23	27
Not important	9	2	3	14
Total	13	2	26	42

If leaving DINR relates to the issue of self-steering, one would expect that former SOLV staff may look for positions in companies and organizations that have adopted similar self-steering principles. In order to test that, we use data about the current position for 177 of the 192[37] former SOLV employees, and we distinguish the following types of current positions:

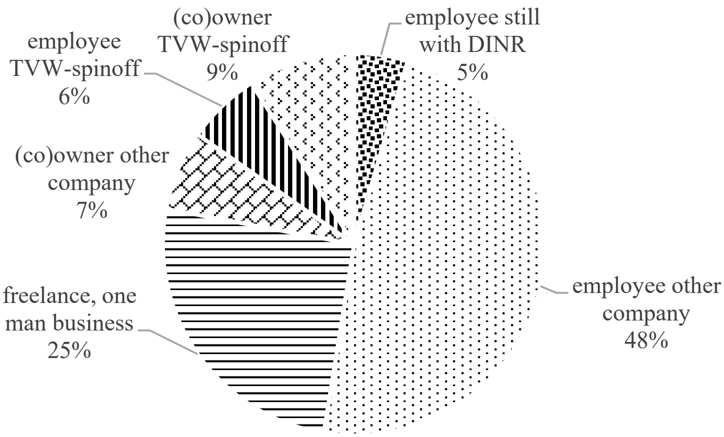
[37] Fifteen former SOLV employees could not be traced on the web (11) or are retired (1) or deceased (3)

- Employees of non-self-steering organizations
    - employee still with DINR (4.5%).
    - employees with other organizations (48.0%).
- Entrepreneurs
    - freelancer, independent: people who started their own business without staff (25.4%).
    - (co)owner other company: people who are now (co)owner of a company not based on self-steering principles (6.8%).
- Employees and entrepreneurs in self-steering environments
    - employee TVW-spinoff: people are employed by a company based on the same principles as TVW (6.2%).
    - (co)owner TVW-spinoff: people who are now (co)owner of a company based on the same principles as TVW (9.0%).

We consider the first two categories as 'traditional' employee.[38] The other are either entrepreneur, or employees working with a TVW-spinoff. These can be seen as positions that are characterized by various self-steering practices. Almost half (47.4%) of the former SOLV employees have found a position in a similar type of environment where they face autonomy and have the possibilities for self-steering (Figure 5.7). As this is much higher than expected given the number of companies that deploy self-steering principles and the share of self-employed in the labor market, one may read this as the effect of having been for a long time in an environment where self-steering was an ideology everyone believed in. These findings are in line with the results of the 2017-survey, and do suggests that after being infected by the self-steering virus, one not easily 'recovers' from this.[39]

[38] But we keep on distinguishing the members that remained with DINR from the others, because members that stayed with DINR have different characteristics as we will see later.
[39] These conclusions about staff turn-over and further careers is supported by the developments within NEXT which also became part of DINR but was eventually not integrated. This only became clear two years after the takeover, but by then a considerable amount of NEXT-members had already left (see phase 4 discussed below). When it became clear that the self-steering model remained in place, the number of people leaving, declined strongly. This indeed suggests that leaving had to do with the (feared) loss of self-steering. By the way, those that left NEXT/DINR chose similar positions as the former SOLV staff.

Figure 5.7: Current position former SOLV employees



If SOLV-experience has such an effect on the further career, how is the latter influenced by the role within SOLV, the length of service and the number of business projects within SOLV, and how is it influenced by the perception of the power distance and by personal characteristics?

The role (next-higher or non-next-higher – Table 5.4) does seem to influence the further career. Next-higher are as less often employee (type 1 and 2) and are much more often employee in or owner of a self-steering organization (type 4) than non-next-higher. Next-higher did not stay at DINR.

Table 5.4: SOLV role by current position type

	Non-next-higher at SOLV	Next-higher at SOLV	Total
1 employee still with DINR	5.3%	0.0%	4.5%
2 employee at other company	48.7%	44.4%	48.0%
3 entrepreneurs	34.0%	22.2%	32.2%
4 employee/entrepreneur in self-steering org.	12.0%	33.3%	15.3%
	N= 150	N = 27	N = 177

As the length of service and number of business projects are concerned, one would expect that the longer someone has been employed at SOLV, and in the more business projects of SOLV, the higher the probability of working later again in a self-steering environment. This seems to be the case (Table 5.5, column 1 and 2): Those that continue in a self-steering organization (type 4 in table 5.5) have worked longer at TVW/SOLV (mean = 60 months) than the other position types: 48 months (p = .134), 42 months (p = .000), and 41 months (p = .000) for DINR employees, other employees, and entrepreneurs respectively. And they have significantly more diverse SOLV-experience (in number of business projects) (mean = 2.2) than the other position types: 1.1 (p = .002), 1.5 (p = .001) and 1.6 (p = .007) for DINR employees, other employees, and entrepreneurs respectively.

Table 5.5: Averages SOLV experience, power distance and personal characteristics by current position type (non-next-higher) [40]

	Number of BP's	Months with TVW	Reciprocal open consultation	Age	Salary
1 employee still with DINR	1.1	48	0.8000	37.8	4355
2 employee at other company	1.5	42	1.8673	32.5	3243
3 entrepreneurs	1.6	41	2.0090	34.1	3353
4 employee/entrepreneur in self-st.org.	2.2	60	2.1282	33.6	3515
Total	1.6	44	1.8990	33.5	3372

The former SOLV employees do not differ significantly in terms of power distance, apart from reciprocal open consultation (Table 5.5, column 3): members of SOLV that remained with DINR score significantly lower on reciprocal open consultation (mean 0.8000) than those with other careers: employees at other companies (mean = 1.8673, p = .021), those who became entrepreneur (mean = 2.0090, p = .010) and those that remain in self-steering organizations (mean = 2.1282, p = .010). This is further supported by the negative correlation between the months at DINR and the score on reciprocal open consultation (-.220, p = .025): the higher the score on reciprocal open consultation, the shorter one stayed at DINR.

Finally, personal characteristics of the non-next-higher in different current position types were analyzed (Table 5.5, column 4 and 5). DINR stayers had the highest average salary[41], and are somewhat older[42] than those that left DINR. The correlation between age and salary is expectedly high (0.77).

[40] These characteristics are as measured in July 2001 except for the length of service TVW (with SOLV and any other subsidiaries of TVW) which is measured at the moment of the takeover.
[41] Mean = 4355 euro, and significantly different from the other categories: 3243 euro (p = .002), 3353 euro (p = .006), 3515 euro (p = .039) for other employees, entrepreneurs and members that remained in self-steering organizations respectively.
[42] Mean = 37.8 and significantly different compared to members that went to 'normal' jobs (mean = 32.5, p = .022) and marginally significant compared to members who became entrepreneur (mean = 34.1, p = .118) or members that remained in self-steering organizations (mean = 33.6, p = .109).

Summarizing, the few remaining with DINR had relatively high salaries and valued when at SOLV reciprocal open consultation less. On the other hand, those choosing after SOLV again for self-steering environments have been working longer under self-steering circumstances, worked in different teams, and score higher on reciprocal open consultation when they were at SOLV. People with less TVW/SOLV experience did choose more often a free-lance position or started working as employee for a 'normal' (non-self-steering) organization. In other words, the careers during this third phase show that the earlier position in TVW/SOLV influences the further career: more experience with self-steering does increase the probability to continue working in self-steering environments.

Phase 4

After DINR took over TVW in 2004, all parts of TVW where slowly incorporated in DINR except one, NEXT. The reason was that the services provided by NEXT were nonexistent within DINR. As its added value was relatively high, two years after the takeover it was decided by DINR management that NEXT would become an independent subsidiary. However, in 2009 the financial situation declined seriously and DINR decided to sell all subsidiaries including NEXT.

This time the (partly former TVW) employees were reluctant to accept the fact that they were being sold (again) and some proposed to buy the company themselves. Obviously they had learned since the end of TVW in 2004.[43] As soon as their resistance in being sold became known, potential buyers were no longer interested. Staff of NEXT did a bid of 11M-euro, which was not accepted by DINR management as they expected to be able to get 30M-euro. In the face of declining profits and anticipating their employee buyout, NEXT restructured itself in 2010. The self-steering groups, still using the SOLV terminology "business projects", were clustered into self-steering micro enterprises called niches. Employees without a niche and business projects working at a loss, 70 employees in all, were dismissed. Then the employee buyout was discussed with all employees, and employees from all niches wanted to invest in an own company. Together they made a new offer. The core of them already had collectively written their resignation letters in case the offer would not be accepted. This use of collective power was effective as their knowledge and network connections were

[43] In this context it is relevant to realize that at the moment of the buyout, only a relatively small part (15%) of the NEXT staff was still from the TVW years (24% of the members at the time of the takeover stayed). Many new consultants were hired in the meantime, and they obviously took up the values and ideas about self-steering that had been dominant within NEXT culture. The latter we know, as we surveyed the NEXT staff within two years after the buyout (see chapter 3).

the real assets of NEXT – and collective resignation would be disastrous for the value of NEXT. Threatening with collective resigning seemed decisive in making the deal in 2011. We tried to confirm that, but the CEO of DINR at the time of the buyout did not respond to our requests for an interview. NEXT restarted in 2012 with 110 employees of which 68 became a shareholder. They actually paid a relatively low price for the company, and the loan was earned back within two years. The new company is based on the same principles as SOLV was before. With one major difference: now the company is owned by most of the employees.

This more subtle power analysis shows not only the perception of power, but also the real power resources of employees. We hypothesize that their socializing in a self-steering context wanted them to remain in such a company structure, and enabled them to use the power they had. And, the new company started under bad economic conditions, suggesting that self-steering is not only a model for booming economies, as the analysis of the second phase may suggest.

Table 5.6: Summary of the findings

Phase 1	Booming economy	IAQ Observation	High belief in self-steering; in absence of power differences; perception was that reciprocal open consultation, sanction power (psychological approval); connectivity (internal) are relevant but not legitimate power. Although professional skill was high, expert power was relatively low: knowledge was no power source but shared.
Phase 2	Crisis, decline of turnover and profits	Documents Observation	Owners use legitimate power to solve the crisis problems: restructuring and selling the company. Employees are amazed – in shock, do not really react. Do not use their power resources.
Phase 3	Within DINR	Web data Follow-up survey	Start to learn that power plays a role. Many leave DINR as they continue to prefer self-steering. Start 'for themselves' or create in groups new self-steering companies.
Phase 4	Crisis, DINR sells subsidiaries	Interviews afterwards	Collective identity. Use power sources in negotiations: threaten to collectively leave DINR: good price, and buyout of new self-steering company NEXT, owned by employees.

5.5 Conclusions and discussion

This case study contributed to the understanding how organizational concepts like self-steering behave during crises. It showed firstly that a dominant and pervasive story about self-steering and structural empowerment makes itself true, even if some of the main conditions of structural empowerment – in this case distributed ownership – are lacking (Q11). A strong belief in self-steering – even without a full distribution of power – leads to identities and self-images: we *are* self-steering. Together with the still considerable distribution of authority and responsibility in the design of the organization, this resulted in changing power relations: for a long time, members of SOLV saw themselves as sharing power. However the very unequal distribution of ownership (shares) also turns into unequal interests. As a result organization members within SOLV pursued different goals: group members gave priority to professional interests over economic interests, but the owners of the company gave priority to their economic interests. Within NEXT, with share-certificates now being shared among 68 organization members, interests are more shared. This proved to have another beneficial effect. As economic interests are more distributed too, organization members and groups respond faster and more effective to economic problems, as the NEXT case suggests. This means that self-steering can also work in economic downturns. For this, shared ownership is a condition, and the lack of that made SOLV employees react too late and too slow on the economic crisis, which in turn made the owners use their legitimate power. When within SOLV the more-powerful, the legal owners, used their legitimate power to face the crisis, the less-powerful did not oppose using collective power. The owners could start a process of delegitimizing the strong empowerment values, and this made the members aware of their less-powerful positions. Why didn't they try to oppose? Firstly they were not prepared, but secondly, using power was not part of the cultural norms. So they remained inactive at the time and did not raise their *voices* (Q12). Even when they did not use their voice and did not resist the takeover, the former SOLV members did act by an *exit* strategy: most decided to leave the new company DINR and many chose again for either autonomy as self-employed or entrepreneur, or for new self-steering environments (Q13): self-steerers remain self-steerers.

Personal characteristics matter

Whether one remains a 'self-steerer' depends on personal characteristics. The longer one works in a self-steering environment and in the more different self-steering groups, the higher the probability of working later still in a self-steering environment. Why this is the case we did not investigate, but it suggests that longer and more varied experience with self-steering may not only shape preferences for autonomy and self-steering, but also help to develop skills needed for self-steering (open to change, entrepreneurial attitude).

Opposition

Was exit the only possibility, and is the power distance between *owners* and others too large to do something else? We found that in non-crisis situations, the empowerment story as such became a power source, as we saw in different examples. But also in less favorable situations, networks and skills were relevant power sources. The experience of NEXT, another subsidiary of TVW that was taken over by DINR illustrates this. Having had a similar experience as SOLV, the members of NEXT were aware and prepared: they used their professional skills and network as power sources and threatened with collectively quitting before NEXT could be sold. As *skills and expertise* are the main assets in companies like NEXT, this proved to be a real power source that outplayed the power sources of the owners.

For raising voice and starting collective opposition, members of SOLV would have needed the perception (i) that the action of the owners was illegitimate and (ii) that they were able to resist the power of the owners (Drury and Reicher, 2009). The owners had the legal, and therefore, legitimate right to sell the company, although it was in conflict with the shared business philosophy. As the owners successfully had (at least partly) delegitimized the *five pillars* of the company philosophy, the organization members did not attempt to oppose to the plans. Furthermore, the non-owners did not feel like a unity against the owners, as the non-owners had been perceiving themselves as belonging to the same group as the owners. This was different for NEXT where the agreement among all members against the owner DINR was much stronger. Because of their diverging business philosophies, group members identified strongly with NEXT and not with DINR. So despite the legitimacy of DINR in trying to sell NEXT, the unanimity within NEXT was strong enough to organize collective opposition. Next to knowledge and skills (expert power), also social identity (identification power) seems an essential power source.

5.6 Further research

As this chapter shows, longitudinal studies can be rather informative, and there is clearly a lack of longitudinal case studies in this field of research on empowerment and power. The conclusions formulated above are based on two cases only (SOLV, NEXT), and ask for replication in other cases. At the same time, doing longitudinal studies is not easy, as researchers generally lack resources to follow cases over such a long period – 15 years – as we could do here.

What was really helpful was the data collection about the career of the former SOLV members using LinkedIn. Of course, this is self-reporting about jobs, activities and roles, but as it is the public domain, overall the information can be considered reliable. Furthermore, we used multiple data sources that enabled to control information by comparing those different sources. Another advantage of LinkedIn is that (mutual) network connections of members become visible, through which it became clear that many former SOLV members are still connected with each other. In line with the network culture SOLV had, it still exists as a network. We could find most of the former SOLV-members on LinkedIn, but the response for the second (recent) survey was lower than expected. Social media are a new relevant data source for our type of research, and the use of it needs further development.

Substantially, the change of the nature of empowerment in organizations should be investigated further. The case under study in this chapter showed a transition from moderate structural empowerment to reestablished hierarchical structures. However, in cases we are currently studying – but not included here – we also observed developments the other way around: from an empowerment story without structural empowerment to recognizing this as a serious flaw, and then moving into 'real' structural empowerment (one of the PART subsidiaries). In another company where we observed this, the process of increasing structural empowerment was made possible because some people left the company: here personal power, more than structural power distributions was the barrier. The relation between structural and personal power seems a crucial issue in the dynamics of empowerment, and a domain for further research.

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TVW (2001a) *Taboekje, Boekje over de taboes, de pracht, de pijn, de klacht en een mogelijk medicijn voor TVW*.

TVW (2001b) *Voorstel arbeidsvoorwaarden herziening SOLV*.

TVW (2001c) *TVW Employees' Participation Regulations*

[44] Specific names have been replaced by BV, eigenaar and medewerker respectively for privacy/confidentiality reasons