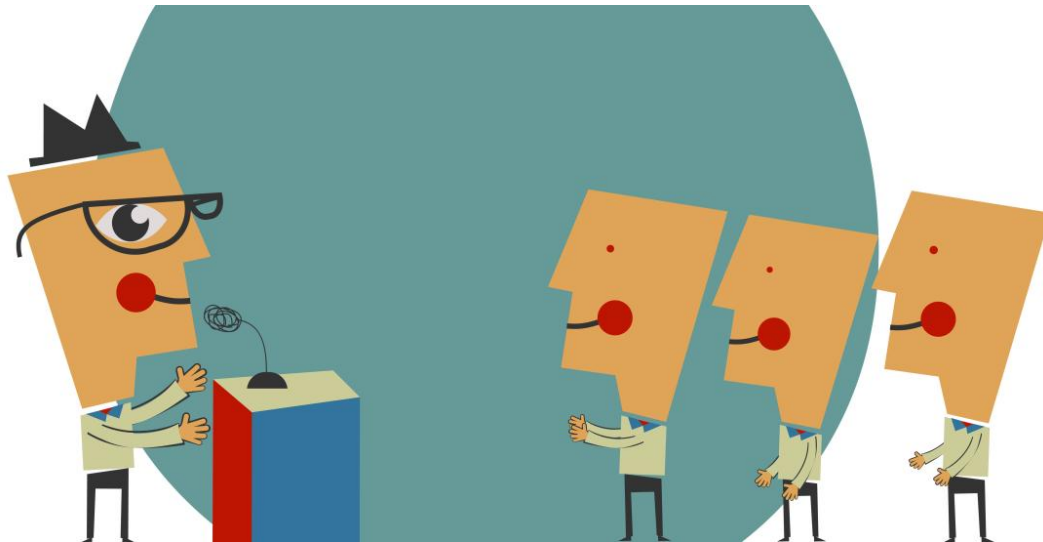

Are Bosses Becoming Extinct?



By Phanish Puranam , The Roland Berger Chaired Professor of Strategy & Organisation Design at INSEAD

Hierarchy is often viewed as hindering innovation, but getting rid of hierarchy carries risks of its own. Savvy organisation design can help you strike a successful balance.

Imagine working at a company without any bosses. No powerful voice to veto your best idea before giving it a fair shake. No micro-management getting between you and the completion of your work. No door to knock on to get a burning question answered, or to smooth over a conflict. For that matter, no one to bail you out or take responsibility for your mistakes...

As I wrote in my [previous post](#), an egalitarian zeitgeist and frustration with bureaucratic hierarchies has led to a handful of “boss-less” firms – tech firms Valve and GitHub and tomato processor Morning Star among them -- being hailed in the business press as the wave of the future. These companies have dismantled traditional multi-layer hierarchies and granted employees well-nigh total freedom to align themselves into self-organised teams. And for these few firms at least, the approach seems to be working well: One GitHub employee wrote on his blog, “The vast majority of the time...[e]veryone is happy, everything is great. We don’t run into a lot of paralysing problems all too often.”

Warning Signs

But it's important to note that the "boss-less" model may have a significant scalability problem, and the successes we see may be rather special cases. To see why, it is useful to ask why the multi-layered authority hierarchy came into existence in the first place. When it takes the expensive contributions of many to produce something, and their contributions have complex linkages between them, bosses play critical roles in motivating and coordinating contributors, as well as resolving disputes between them. But they have limited spans of control, which gives rise to layers in the hierarchy.

It follows that to dispense with the hierarchy of bosses for the production of complex products, peer-to-peer dispute resolution through consensus will be critical. That's where scalability constraints begin to bite, because consensus decision-making is very hard to scale.

That's probably why manufacturer W.L. Gore splits off certain divisions that grow beyond 250 or so people. Growing pains at Valve reportedly were a contributing factor to an early-2013 round of layoffs. This is also why supposedly non-hierarchical communities such as those associated with Wikipedia and Linux, have been found to have a strong informal hierarchy. Mid-to-large-sized companies looking to follow in these firms' footsteps would be wise to tread very carefully. It is worth noting that all start-ups look like self-selected teams, but most switch to conventional authority hierarchies as they grow.

There are other potential problems too. Consensus wisdom may be preferable to conventional leadership in many ways, but time efficiency isn't one of them. Hierarchy provides a useful "stopping rule" – which can terminate debate and reach decisions fast (though these decisions may not necessarily be the best ones). And with everyone following their bliss and seeking glowing peer reviews, what becomes of necessary but less visible projects? Without task assignment being handled from above, talent may migrate toward the most conspicuous project options available, not necessarily the most critical. This is a problem that Nature, in the design of ant-colonies, has solved beautifully. But it took millions of years of evolution to do it.

The Sincerest Form of Flattening

Steamrolling the hierarchy is neither feasible nor advisable for most businesses, but there are ways to tame the wild beast of "boss-less"-ness

and perhaps make it work for you. The right question may not be whether one should dismantle the hierarchy or not, but instead where to do so (and how much), as the classic organisation theorists Burns and Stalker observed several decades ago.

In certain parts of the organisation, where projects require complex large scale interactions, critical projects may not necessarily be attractive, and consensus within projects is difficult to achieve, the hierarchy should continue to reign. In others, where the inputs of a few key individuals are sufficient for a project, where such individuals may have a better sense of which projects are critical than their bosses, and where peer-to-peer consensus within projects can be relatively easily achieved because of professional norms and reputation concerns, the principle of self-selection into teams may be very powerful indeed. This is where the traditional hierarchy may offer very little advantage. Yet, even here there is an implicit role for authority; it creates the context within which the spontaneous interactions necessary for self-selected teams can occur.

Uncharted Territory

The best of both worlds may belong to companies that tear down the hierarchy around certain departments and leave it intact elsewhere, essentially creating “boss-less” firms within a hierarchical structure. After all, most would agree that manufacturing departments might be bogged down by the freedom a “flat” structure affords, but that same freedom may prove to be a wellspring of innovation for an R&D department. The opportunities and challenges lie in taking these ideas beyond the traditional R&D-manufacturing dichotomy to unusual contexts. For instance, rather than impose its views on how synergies must be realised between divisions in a multi-business firm, what if headquarters instead encouraged divisions to self-select into synergy projects and form internal alliances to manage them, based on their own estimation of mutual benefit?

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