DECISION-MAKING WITHOUT THE FORMAL DECISION-MAKER

– A STUDY MADE AT MENLO INNOVATIONS

Thesis for Bachelor's Degree

Business Administration

Björn Katzmann
Gustav Veres
Elias Filhage Wahlström

2021: VT2021KF18

UNIVERSITY OF BORÅS

Title: Decision-making without the formal decision-maker

Publication year: 2021

Author: Björn Katzmann, Gustav Veres & Elias Filhage Wahlström

Supervisor: Mikael Löfström

Abstract

This thesis studies how decision-making might work in an organization without a predetermined formal decision-maker. By studying three selected areas in organizational decision making at a flat organization, the way decisions are made without a formal decision-maker is presented. The study includes an analysis of what factors drive decisions and possible effects of the flat organizational approach.

This thesis focuses on decisions regarding wage-setting, recruitment, and the setting of long-term goals. The study finds several relevant conditions which contribute to making a flat organization's decision-making system possible, including organizational culture and transparency. The study indicates that cultural fit is an important aspect in maintaining a flat structure at an organization.

To access data, in order to examine the principles of decisions, study at Menlo Innovations has been performed. The core of the study relies on semi-structured interviews with the employees, a virtual tour of the organization, a pre-recorded interview with Menlo representatives, and additional articles and documents. This data has helped the thesis answer how decision-making in the areas of wage-setting, recruitment, and the setting of long-term goals, might work in an organization without a predetermined formal decision-maker.

Keywords: Flat organization, Hierarchy, Decision-making, Wage-setting, Recruitment & Long-term goals

Acknowledgment

We would first like to thank our supervisor, Associate Professor Mikael Löfström, for all valuable feedback during the process of writing this thesis. Your feedback pushed us to think outside the box and create a better thesis.

We would like to thank Menlo Innovations for participating in our study. We would especially like to thank Mollie Callahan, Lindsey Krumrei, and Michelle Pomorski for taking time out of your schedule to give us invaluable input regarding decision-making at Menlo Innovations. Without your participation, this thesis would never have been possible.

In addition, we would like to thank all our lecturers during our bachelor's program for providing us with knowledge that we will bring with us into further studies.

Terminology used in the thesis

Correlation - Measures the association between two series. The value of the correlation lies between -1 and 1 indicating perfect positive/negative correlation (Brooks, 2019).

Decision - *"a specific commitment to action (usually a commitment of resources)"* (Mintzberg, Raisinghani & Theoret, 1976)

Decision process - *"a set of actions and dynamic factors that begins with the identification of a stimulus for action and ends with the specific commitment to action"*. (Mintzberg, Raisinghani & Theoret, 1976)

Extreme Interviews - The interview process at Menlo Innovations

Flat organization - In this thesis, a flat organization is defined as those in the absence of major hierarchies where the operational level is mainly driven without management from above (Burton, Håkonsson & Larsen, 2020).

Menlonians - A name for the employees of Menlo Innovations

Organizational structure - *"Organizational structure reflects 'the formal design of roles and administrative mechanisms to control and integrate work activities and resource flows"* (Olson, Walker & Ruekert, 1995)

Organizational culture - Is the social side of the organization that gives the everyday task meaning. The culture in an organization is the generally accepted views that give meaning to a specific time at a specific location (Pettigrew, 1979).

Traditional, bureaucratic organization - In a traditional organization, the hierarchical structure of the organization defines the responsibilities and authority of each employee. The chain-of-command begins at the top of the organization and is communicated downward (Cummins, 2009).

Utility -A measure on how different individuals value different goods or services (Perloff, 2013).

Table of Content

List of Figures

1 Introduction

Firstly, to help the reader get an understanding of what this thesis means by a flat organization, this section presents and explains the concept of the flat organization, and why this is relevant to discuss today. This section presents why some organizations have decided to flatten their organization, but also, potential negative aspects of this approach. The purpose and research questions will be presented, along with earlier research that will help the study.

1.1 Background

New theories regarding organization and how people cooperate most efficiently arise regularly. Human Resource Management, an organizational concept which stood in opposition against the previous tayloristic view on organization and efficiency, was developed in the mid-20th-century (Lindmark & Önnevik, 2011). Simultaneously, some companies have concluded that strict governance in organizations is harmful and counteracts creativity among the personnel (Perry, 1995). With few levels of formal hierarchies, the flat organization has been adapted among several companies in the hope of maximizing their employees' human capital. In a study about new trends in organization design, Burton, Håkonsson, Larsen & Obel (2020), define a trend as “a line of development” and flat organizations as “absent hierarchy”, and find a trend regarding this type of organization. They find that the new generations have a dislike for authority and therefore are more open to the flat organization. This attraction to the unconventional can be seen as a critique of the traditional, bureaucratic organization, which according to the authors, struggles to adapt to societal changes (ibid.). Another study also finds an organizational movement in the direction of flattening the hierarchical structure (Rishipal, 2014). The author says that the rapid changes in technological development and society as a whole have modernized organizational structure. Furthermore, the study says that there has been a fundamental change in the view of organizing, thus inducing the rise of more horizontal flat structures (ibid.). The ability to adapt to changing environments has become important due to the globalized world we live in today. That requires flexibility among corporations due to the increased levels of competition that are found on a global scale (Naor, Linderman & Schroeder, 2010).

Even though there are principles which may favor a flat organization, these often come with new challenges in regards to decision-making. As Rishipal (2014) points out, consistency in decision can be hard to achieve in absence of formal leaders. The flexibility of letting employees make decisions on their own may lead to a lack of coherence. Thus, one potential risk with decentralized decision-making is that employees solve problems differently, which may confuse stakeholders (ibid.). The speed in which problems are solved could be faster or slower in flat organizations. On one hand, an employee's freedom to make decisions on their own may reduce the time, since the decision does not need to go through several people in different hierarchical levels. However, required time for decision-making may also be greater in flat organizations. This is because a team of employees may need to achieve approval and consensus from the other employees when making a decision. When a sole manager has the formal power to make decisions on his own, this effect on response time may not exist (Supovitz & Tognatta, 2013). This initial problem shows that the flat organization may come with both benefits and disadvantages, making the phenomena relevant for research.

Decision-making is a key element of an organization and its performance (Blenko, Mankins & Rogers, 2010). Therefore, it is a central aspect for every organization to get right. The decision-making process usually looks different in different organizations. There is no one size fits all approach regarding decision-making in organizations, but instead, every company needs to customize their approach with regard to their employees and culture. It is therefore interesting to investigate how decision-making functions at an organization considered flat. However, the definition of a flat organization is often broad. Rishipal (2014) defines it as organizations with relatively few layers of management. This means that the chain of command from top to bottom is short, and the span of control is wide. To be able to answer the research questions that will be presented later in this thesis, the definition of a flat organization needs to be narrower and more precise. In this thesis, a flat organization is defined as those in the absence of major hierarchies where the operational level is mainly driven without management from above. In the last decades, several organizations with company structures that correspond to this definition of flat and non-hierarchical organizations have risen (Burton, Håkonsson & Larsen, 2020).

1.2 Earlier Research

In this part of the introduction, earlier research regarding flat organizations will be presented. This will further help the reader get an understanding of potential effects of this organizational structure. However, there is no perfect solution regarding organizational structure. Therefore, this section will also present potential effects of the hierarchical organization, giving the reader a nuanced view of how hierarchy might affect an organization.

Hierarchies in the decision-making process have been found to impact information spread in the organization. According to Bettis-Outland (2012), a literature study covering previous theoretical papers within the topic of organizational learning, the amount of information an organization has access to, and the internal direction of its spread, are partly determined by the organizational structure. The paper suggests that the quicker decisions are made, the more information is utilized, resulting in greater organizational learning. However, more information is not always better, since information overload may occur. In this case, information becomes a hindrance rather than help in organizational decision-making (ibid.). This indicates that the effects that come from rapid decision-making in a flat organization is not always positive, and instead, the gradual decision-making process could be a beneficial aspect with the hierarchical organization. Important to keep in mind for the reader is that many of the critical references in this study by Bettis-Outland are from the 1980’s and prior, when the definition of flat organizations was much broader than today. This might be seen as a problem. However, the effects regarding the different levels of hierarchy are still relevant and are useful for this study.

The findings regarding information utilization and organizational learning from Bettis-Outland (2012) is relevant because a flat organizational structure has been found to increase information access in an organization. A study from 2014 shows that decentralized organizations give the personnel better opportunities to contribute to the development of the organization (Rahnavard & Asefikia, 2014). The authors study Mellat Bank, a flat IT-based company, and find that the flat structure, defined as an organization with few or no levels of middle management, is successful because more people contribute to the knowledge utilized in making decisions (ibid.). Applying the results broadly to flat organizations would not be reasonable, but the study suggests that a flatter organizational structure could be beneficial under certain circumstances. Important to note, however, is that the abolishing of formal hierarchies should not be seen as synonymous with the abolition of hierarchies as a whole. A study from 2011 shows that when formal hierarchies are abolished in an organization, they are replaced by informal ones (Diefenbach & Sillince, 2011). Formal and informal hierarchies are two different phenomena, and the separation between the two is important to keep in mind.

Previous research also shows that giving employees a higher level of freedom and responsibilities leads to more effective production (Gurbuz & Mert, 2011), a point which is further studied and supported in research from 2018, which shows a negative correlation between hierarchy and efficiency in organizations (Greer *et al.*, 2018). The latter has drawn results from 54 prior studies and finds that hierarchies have the potential to both benefit and harm team effectiveness (ibid.). However, the findings do not support the authors' predicted positive effects of hierarchy deriving from coordination-enabling processes and the moderation of team tasks, hence the main positive effect of hierarchies found were from its ability to reduce task ambiguity. Greer et. al (2018) means hierarchy in organizations leads to increased conflict-enabling states, harmful effects on team structures and reduced organizational mutability. The study utilizes diversified studies from various journals in psychology, management, and economics, most published in the 2000's. The results from this study thus have greater representational value across various organizations, making it useful in this study.

According to Rishipal (2014), one advantage of flat organizations is that the system, in which employees are expected to take responsibility and make decisions traditionally handled by managers, strengthens the personnel as a whole. One study also shows that efficiency increases when an organization encourages initiatives by incitement rather than coercive methods (Miller & Whitford, 2007). The logic behind the found effectiveness of incentives, as opposed to the use of coercion, is that, according to Miller and Whitford, people driven by their self-interests have greater motivation to perform. Another study finds a negative correlation between steep hierarchies and the internal flow of information and that the employees' knowledge is better utilized in non-hierarchical organizations (Reitzig & Maciejovsky, 2015). Similar to (Rahnavard & Asefikia, 2014), the informational barriers due to hierarchies are presented. The reason is that middle management tends to pass more information upwards than downwards in the organization to avoid corporate omission errors (Reitzig & Maciejovsky, 2015).

However, the flat organization is not without its faults. In fact, there are several cases where the traditional, hierarchical organization might be favorable. In an article regarding hierarchies' effects on group performance, (Halevy, Y Chou & D Galinsky, 2011), argues that hierarchy can enhance the effectiveness of an organization primarily from two organizational perspectives. The first being a positive coordination effect from vertical management. The point is that management from above can distribute tasks and divide labor in order to achieve a synchronized organization. This is also supported by (Greer *et al.*, 2018), as mentioned previously. The positive coordination effects presented in the article implicitly assumes that different organizational members share the same goals and are willing to cooperate with each other, according to Halevy, Chou & Galinsky (2011). The second perspective derives from this point, which is that there is a positive effect of hierarchies because it reduces conflict and enhances voluntary cooperation. One reason hierarchies enhance cooperation is because low-ranked (hierarchically) members avoid conflicts with high-ranked members (ibid.). Another reason is that followers, i.e., low-ranked members in a hierarchical organization, endorse a worldview that supports hierarchy and that they identify with the leaders. The argument that hierarchies would reduce conflict goes against the findings of Greer et. al (2018), a study which concludes the opposite. This is an indication that there is no consensus regarding which organizational structure is favorable and it does not seem like there is a universal solution. How conflicts are enhanced or diminished due to hierarchies is critical, since Halevy, Chou & Galinsky's (2011) argument regarding coordination partly relies on this aspect.

The effect that hierarchies have on the performance of an organization is a complex matter that can change depending on the situation. In a study examining 75 working teams across a range of different industries (Bunderson *et al.*, 2016), argues that different forms and situations affect the effects of hierarchies in different ways. The article focuses on hierarchy as a means to increase or decrease conflicts in an organization. The authors conclude that when hierarchies are used with a view to influence social relations amongst members of an organization, the effects are positive in reducing conflicts, thus increasing group performance effectiveness (ibid.). Primarily though, the members' views of hierarchies in the organization determine whether a hierarchical system increases or decreases conflicts (ibid.). These findings could correspond with, and answer the difference in the findings of Halevy, Chou & Galinsky (2011) and Greer et al (2018), arguing that the impacts of a hierarchical structure are more complex.

1.3 Problem Discussion

In this section of the introduction, the problem regarding decision making in flat organizations will be formulated. Decision-making in an organization is a broad topic, therefore, the subject will be divided into subgroups, making it more suitable for the thesis.

Flat is a relative term. Grasslands may be viewed as flat compared to mountains, while the same grassland could be viewed as uneven compared to a wooden floor. The same reasoning can be applied to flat organizations. Since organizations have evolved over time, the meaning of flat organizations has changed as well. Organizations that were regarded as flat many decades or centuries ago may not be viewed as particularly flat today. Rishipal (2014) defines flat organizations as “organizations with relatively few layers of management in their hierarchy”. Relative to what remains uncertain in the article, but one interpretation of the definition is that an organization is flat if it has few layers of management relative to other organizations. One might argue that research regarding flat organizations has existed since Worthy (1950) studied the phenomena, but organizations that are flat relative to current conventional organizations have not been around as long. Thus, this thesis regards flat organizations as organizations without major hierarchies where the operational level is mainly driven without management from above

Due to changes in the field of hierarchical structure in the direction of a flat organizational approach, as concluded in research by Rishipal (2014) and Burton, Håkonsson & Larsen (2020), the problem of decision-making in different types of systems may be more important than usual. Companies that during the last decade have grown up with a flat structure, in which the depth and layers of management hierarchy are small, give researchers more empirical evidence regarding how many decisions are made without a determined decision-maker (Williams, 2014).

Amongst all the aspects of an organization and cooperation between people, decision-making is particularly interesting due to its impacts on other areas of the organization. In a book chapter called Organizational Decision Making, Grandori (2001), conceives the topic of the title as “encompassing both single-actor and multiple actors decisions, taken in a context of continuous relations for purposes of effectiveness”. Using this definition of organizational decision-making, the author argues that the problem of internal coordination, value maximization, and conflicts are influenced by decision-making mechanisms in an organization (ibid.).

According to Owen-Smith, Cotton-Nessler & Buhr (2015), resource and information transfer, social relationships and influences are partly determined by the decision-making processes in an organization. This alines with Bettis-Outland (2012), who concludes that decision making within the organization either decreases or increases information access to the organization. The author also found a relationship between decision making and conflicts within an organization, connecting decision making with hierarchies (ibid.), as mentioned in the section ‘Earlier Research’.

Decision making in an organization is a broad concept, which makes it hard to apply a general perspective of decision making on flat organizations. Therefore, organizational decision-making needs to be divided into sub-categories. Three areas of decision-making have been found to explicitly impact the performance of organizations. In a study from Japan, Fuess & Millea (2002) found that decisions regarding wage-setting are a critical for the efficiency in organizations. The authors conclude that transparency in decisions partly determines the performances of the organization as a whole (ibid.). Fuess & Millea (2002) further explained that the decisions with regard to wage are either decided through negotiations with the union or through measures such as productivity of the employees. Fuess & Millea (2002) argues that in the way these arguments are made, affects the outcome for the company.

Rivera (2012) presented that one of the most critical decisions of an organization is the recruitment of new personnel. When a company hires a person the traditional view is that the person is hired for his skillset and experience, but the article means that many companies view shared cultural beliefs to be equally important in the hiring decision (Rivera, 2012). Rivera found that when an applicant has a similar background and interest to the recruiter the possibility of employment increases. She found that the recruiter uses himself as a model of what works in the organization. Therefore, the decision to hire a new employee is not only based on criteria's, such as skillset and experience, rather the similarity between the interviewee and the employer have been found to be a critical aspect in hiring.

To develop an organization the employees, need to know where they are headed. A report showed that long-term goals are vital for an organization. When the long-term goals are clear for the employees of an organization, the effectiveness of the employees increases. The goal setting also affects the effectiveness of the organization as a whole. When the goals are clear for the employees their ability to have the confidence to take their own decisions in regards to their work increases (Teo & Choon, 2016). According to Ruiz (2006) the most important aspect of the long-term goals is to present a clear direction for the employees in how they can reach the objectives set by either the management or through a collective effort.

1.4 Purpose

The purpose of this study is to investigate how wage-setting, recruitment and long-term goal setting, works in a flat organization. This thesis aims to answer how these decisions are made in an organization without a formal decision-maker. The results should contribute with more knowledge regarding decision-making in flat organizations.

1.5 Research Questions

RQ1: How are decisions made in the area of wage-setting in a flat organization?

RQ2: How are decisions made in the area of recruitment of personnel in a flat organization?

RQ3: How are decisions made in the area of long-term goal setting in a flat organization?

1.6 Theoretical Framework

In this section of the introduction, the theoretical framework of the thesis will be presented. Theories regarding decision-making will be presented, to later be used in the analysis of the results and discussion. In addition, relevant theories regarding cooperation at organizations will be presented and later be used in analyzing the data-material.

1.6.1 Structuring an “unstructured” decision process

To be able to later discuss how the decision-making process functions in an organization without formal decision-makers, the concept first needs to be defined. In the article The Structure of "Unstructured" Decision Processes, Mintzberg, Raisinghani and Théorêt, defines a decision as *“a specific commitment to action (usually a commitment of resources*)” and a decision process as *“a set of actions and dynamic factors that begins with the identification of a stimulus for action and ends with the specific commitment to action”*. In this case, the authors refer to the decision process as *“unstructured”,* which means that the situation has not been encountered in the same form before, and therefore, no specific predetermined set of ordered responses are available in the organization. The authors present research that suggests that when a decision-maker is faced with an unfamiliar, complex situation, the decision is divided into sub-decisions. It is easier for the decision-maker to apply his earlier knowledge and procedure on these sub-decisions, due to it being more likely that the stripped-down version of the complex decision resembles something the decision-maker has come in contact with before. The complex problem is divided into simplified models. However, the decision-maker uses shortcuts in their problem solving that gives them short-term satisfaction rather than long-term maximization of utility. The sub-decisions are after all just simplified versions of the original complex problem, and therefore, completing the sub-decisions is not synonymous with completing the complex problem (Mintzberg, Raisinghani & Theoret, 1976).

In the study that was conducted in the paper by Mintzberg, Raisinghani and Théorêt, the decisions were divided into three categories that proved to be important. These categorize were the following: (A) By the stimuli that evoked the need for a decision. This category can be seen from the perspective of a continuum. On one extreme are the *opportunity decisions*. These are decisions that are initiated on a voluntary basis, for example, improving an already stable situation. The other extreme is the *crisis decisions*, which are situations when the organization is severely pressured to make a decision, for example, critical decisions in the face of bankruptcy. (B) By the solutions for the decisions. This category can be further divided into four sub-categories. (B1) The solutions might be given fully-developed at beginning of the process. (B2) The solutions might be found in a ready-made environment during the process. (B3) There might be solutions that are custom-made for the specific decision, meaning a company creates their own solution to an internal issue. (B4) The solution might combine ready-made and custom-made features to fit a particular situation. The third and final category, (C), categories decision by the process used to arrive at them. The authors mean that these three categories can be applied to a wide range of different types of organizations and businesses (Mintzberg, Raisinghani & Theoret, 1976). Due to the different organizational structures in hierarchical and flat organizations, these three categories might be handled differently in their way of management.

1.6.2 Issues related to organizational decision-making

In Organizational Decision Making, James G. March (1997) presents three issues related to decision making in organizations. The first issue is whether decisions are to be seen as *choice-based* or *rule-based*. This issue relates to whether the decision-maker weighs different alternatives against each other, and through that, rationally concludes the best decision, or does the decision-maker follow previously laid out rules and norms appropriate for the situation (March, 1997). This issue is important when it relates to flat organizations. When formal leadership is abolished, imposing rules becomes a complicated task. In the absence of rules, the decision-making process might therefore lean more towards being *choice-based.*

The second issue presented by March is whether the decision is more defined by *clarity and consistency* or by *ambiguity and inconsistency*. Do the decisions lead to a greater understanding and clarity among individuals/institutions, or does it result in a higher degree of uncertainty? Human cooperation benefits from clarity and mutual understanding, and is therefore relevant in most organizations. However, in an organization without formal leadership, this aspect might be of greater importance (March, 1997).

The third and last issue connected to organizational decision-making is if the outcomes are attributable to the actions of *autonomous actors* or an *interacting ecology*. This issue is related to whether decisions are strictly connected to independent actors, or if it is necessary to see how these independent actors fit together as part of society (March, 1997). Relating to the flat organization, it may be important to see if the employees are autonomous in their decision-making process or if they depend on their co-workers' knowledge and insights.

1.6.3 Group Dynamics

In a group, there are individuals, but the group is far more than just a collection of said individuals. The individuals in the group can be seen as a cohesive whole, where the membership interlocks the members in interdependence. This group solidarity is called group cohesion and is the condition to hold the group together. There are different types of cohesion. In a workplace, the group is usually bound to common goals and work together to achieve them (Forsyth, 2017). In a group, individuals usually take different social roles, and they act according to which part of the group they belong to. Donelson Forsyth (2017) describes it as how different individuals in the group take a social role in a group, like actors take a role in a movie. In a group, there is often conformity to the norms of the group. New members adapt to the language, habits, and routines of the group. When the new member feels a belonging to the group they find an inner strength in the belonging (Milgram, 1997).

Even in the absence of formal hierarchies, individuals have power over other individuals. The powerholders in the group might affect and influence the individuals with less power in the group. This power comes from the norms of the group. The effects of the power that a leader holds are more effective if the leader uses hard rather than soft methods to influence the followers of the group (Forsyth, 2017). If any person in the group deviates from the norms, the group might construe that individual as a threat. This leads to a strong negative reaction from the other group members, as the deviant member threatens the group's social identity (Pinto *et al.*, 2010).

The group dynamics are highly connected to decision-making regarding groups with or without a low degree of formal hierarchy. Without a hierarchical process of decision-making, the members of the group need to make the decision collectively. When one considers the dynamics in the group, there might be informal hierarchies that affect the process of reaching a collective decision (Forsyth, 2017). An important factor in regards to the dynamic of the group is how the decision-making in the group works. According to Mchugh *et al* (2016) there is a process when a group of individuals collectively reach a decision. The first step is to collect every individual's intelligence and knowledge, and when they have collected all the knowledge and intelligence in the group, they have reached the point of collective knowledge and intelligence. Then the collective information needs to be processed through a work structure, and that is based on the complexity of the task. When this is collected, the group can now come to a collective decision. This process is illustrated in figure 1.

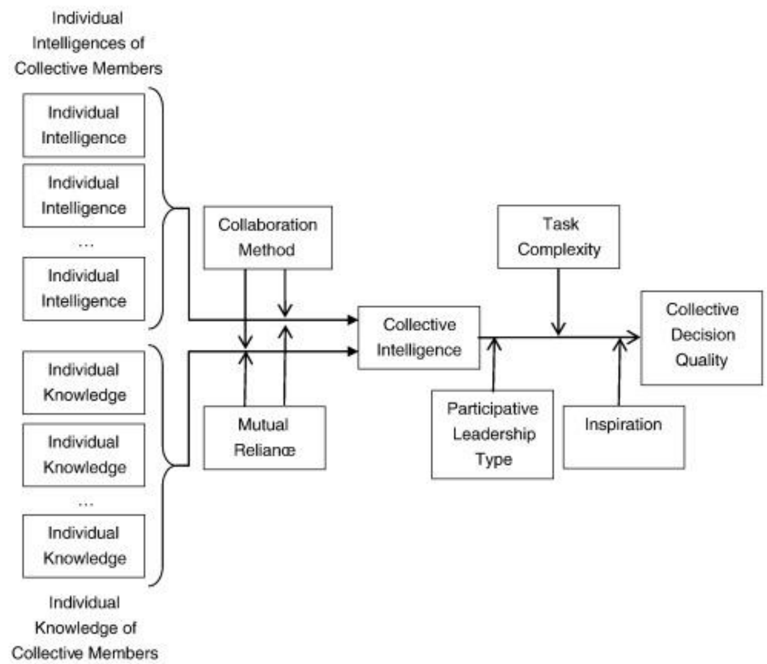

Figure 1 - Collective Decision-Making (Mchugh et al., 2016)

In flat organizations without formal hierarchies, decisions could be made by groups of people in the personnel, rather than by one leader. In this case, the group dynamics may be of greater importance in these organizations, compared to more hierarchical ones.

2 Methodology

This part of the thesis covers this study's data collection, procedure and analysis. The was conducted at Menlo Innovations, which will be presented in this section. A discussion regarding the choices, considerations and limitations of the study is also included, which helps the reader to uncover potential flaws with the study.

2.1 Introduction to Methodology

To answer the research questions connected to the study, a case study from the flat organization, Menlo Innovations was conducted. Menlo Innovations is an American, self-appointed flat organization in the business of software development. Three semi-structured interviews were conducted among the employees, which were complemented by publicly available documents from the company. The interviews helped the study to get an insight into how decision-making may work in a flat organization. A virtual tour offered by the company was used, where the employees presented Menlo's way of work. In addition, articles and previously recorded interviews with the employees were used.

2.2 Qualitative Methodology

This thesis has been conducted through a qualitative method. This method was chosen because the thesis aims to find an internal understanding of how a flat organization, in this case Menlo Innovations, has decided to structure their company. The thesis partly uses ethnomethodology, which means that the thesis searches for answers through interaction (Bell, Bryman & Harley, 2019). The data collected during the interviews gives the thesis an insight into the participant's daily work life and helps the thesis answer how decision-making regarding the three selected areas can work in a flat organization. Due to the study being conducted at a single organization, it will not represent every flat organization's view on the subject. Instead, the study will illustrate how flat organizations, like Menlo, might work in practice.

The process of examining decision-making in the three different selected areas with regard to the research questions cannot be answered through a binary answer sheet. Rather, the interviewees need the possibility to elaborate their answers with more complexity than a binary option can provide. A quantitative process would hinder the interviewees from elaborating their answers thoroughly (Donley, 2012).

The qualitative made it possible for the employees to give their personal views on Menlo's way of work. The virtual tour gives Menlo the opportunity to present their own view of the company's organizational structure. In the study, the virtual tour was used as a contrast to the interviews. The tour gave the study information that Menlo wants the public to be aware of, while the interview gave the study information that was specifically demanded for the purpose of answering the research questions.

2.3 Procedure

In this part of the methodology, the procedure of the study will be presented. This will help the reader understand how the study was conducted, and thereby, maintaining transparency.

2.3.1 The Interviews

The interview part of this thesis was conducted through semi-structured interviews. That made it possible for the interviewed to be asked both open and closed questions, but it also opened up the opportunity to ask follow-up questions when considered needed (Bell, Bryman & Harley, 2019). According to Donley (2012) it takes more experience to conduct a semi-structured interview compared with a structured or unstructured interview. The semi-structured interview should feel like a conversation, and at the same time, the interview needs to follow the manuscript. Therefore, during the manufacturing of the manuscript the questions were carefully placed in the manuscript to follow a rational path through the interview. This led to an interview that felt natural and at the same time followed the manuscript.

The manuscript with the questions were brought to the interview, but due to the characteristics of the semi-structured interview, follow-up questions were asked to those that were pre-written. The pre-written questions were designed to find answers to the research questions that this thesis aims to answer, and the follow-up questions were used to clarify and go deeper on any particular subject during the interviews. The follow-up questions are important to get a clear view of the interviewee's perspective. To make sure that the interviewees expressed their own view, the Menlo employees were interviewed one by one.

Another reason why the thesis uses semi-structured interviews instead of unstructured interviews is because the semi-structured enables comparisons between answers from different interviewees. In an unstructured interview, this would not be possible (Bell, Bryman & Harley, 2019). The research questions connected to the study wants to understand how decision-making in wage-setting, recruitment, and long-term goal setting works in an organization considered flat. In the case of Menlo Innovations, these factors work in a particular predetermined way, and the information from the interviews gave the employees' perspective of the process. In other words, the interviewees gave their subjective views on how the company is structured, which can be compared to the official information released by the company. The virtual tour and articles by the co-founders on the other hand, presents Menlo's way of work in the way Menlo itself wants it to be presented.

Three people from Menlo innovations were interviewed through the virtual meeting application Zoom. The interviews were recorded and later transcribed, which simplified the writing process. Every interview took 30 minutes and was conducted directly after each other. All three authors were present at the interviews, and the questions were distributed among said authors. Each of the authors was responsible for a specific set of questions throughout the three interviews. This reduced the risk of the questions being perceived differently due to the tonality related to how the different authors were to ask the same question. These differences could lead to unwanted variations in the results. A potential disadvantage of conducting the interviews through video links is the issue of reading body language and other non-verbal communication. Forms of communication that are non-verbal are difficult to observe when the interview is conducted over video ling. Therefore, some information might have been missed during the interview.

2.3.2 The Virtual Tour

Every week, Menlo Innovations offers a virtual tour of their company. Pre-Covid-19, this tour was performed at their factory in Michigan, but due to the pandemic, it is offered through the virtual meeting program, Zoom (Menlo Innovations, n.d.). The 90-minute tour was interactive, which means that the attendees could ask questions and partly affect what the tour would offer. The tour was led by two employees at Menlo, the company's Chief Strategy Officer, Erika Kloehn, and employee Chris Hutchins. In addition to Kloehn and Hutchins, two employees, Wade Westfall and Nicole Hutchison, made a short appearance to answer questions from the attendees.

The tour was recorded and later transcribed. The transcription was made close to the tour when the information was fresh in mind. The transcription made it easier to analyze what had been said, and this process will be explained in '2.4 Data analysis'.

2.3.3 Additional Data

In addition to the interviews and virtual tour, this study used publicly available data from Menlo Innovations. In order to get a complete insight into the attributes of a flat organization, relevant information that was not accessed from the interviews and virtual tour was important. This data source consists of objective facts about procedures in the organization to connect the interviewees' subjective answers to what the company publicly proclaims itself as. Data was gathered from a previously recorded 45-minute interview conducted by Woohoo Inc, where Menlo employees, Lisa Ho and Kevin Freeman, presented the hiring process at Menlo Innovations. Articles from the founders and employees were used when considered necessary.

2.4 Data Analysis

This study has analyzed the qualitative data through a process and method called Grounded Theory. The method of analyzing data uses coding to build concepts of the content from the interview material and virtual tour, resulting in categories of concepts being made in a systematic order. By comparing concepts to each other, relationships between categories eventually create a theory that can help answer the research questions. Through the Grounded theory, there is a distinct process to make sure the analysis corresponds with the raw data (Bell, Bryman & Harley, 2019; Goulding, 2002).

2.4.1 Analyzing the collected data

Firstly, the transcribed interviews and virtual tour were broken down through coding. The coding was performed within a couple of days after each interview and tour, in order to have the information fresh in mind. Codes were highlighted directly in the transcribed data, and were chosen based on relevant topics regarding decisions in determining wages, hiring employees, and the setting of goals. Highlighted codes did not only consist of data directly referring to these topics, but also phenomenon's that are directly or indirectly affecting the subjects. Secondly, the codes were made into concepts relevant to the research questions. When concepts were found, additional coding to complement the initial codes were conducted. The back and forth process is useful, since the concepts were not clear initially, according to Bryman, Bell & Harley (2019). By comparing the concepts found in the transcribed data by similarities and differences, concrete categorization was conducted. The categories represent the study's findings from the interview data. Thirdly, a cross checking between the findings from the interviews and virtual tour and public information from the organization the interviewees represent were conducted.

In order to present answers to the research questions, overlapping answers from the interviewees and tour are of particular interest. When the answers overlap, it is an indication that the interviewees view on the decision-making processes are in line with the company's actual decision-making processes. However, disagreements between the interviews and tour are also searched for to highlight the complexity of certain phenomena. The complementation of similarities and contrasts in the empirical material gives a more complete picture of the problem, hence the choice of the coding and categories. The overall filter used in the data material is relevancy to the purpose of the study and the research questions. No matter the similarities, contrasts or compatibilities of the data material, if it is not found relevant to the identified problem of the study, it will not be utilized. The categories with quotes are presented, interpreted and described in the result. Structuring the qualitative data through coding and categorization is supported by Bryman, Bell & Harley (2019). As described by the authors, a coding process makes sure the analysis corresponds with the raw data. Thus, the empirical evidence will be represented in the study well. It is a conventional approach in analyzing transcriptions, as several similar studies have used the process of coding and categorization when analyzing qualitative interview data (ibid.).

2.5 Sample

To come in contact with an organization fit for the study, an elaborated research process was conducted. Finding companies fit for the study was difficult and time-consuming. Eventually, six suitable companies were found and the next step was to contact them. Electronic mails were sent to these six companies with a low level of hierarchy. These were well established companies that have had a flat structure for at least five years and at least fifty people employed at the time. In a company's infancy, when the number of employees is few, most organizations could be considered, at least according to the definition made by this thesis, flat. The hierarchical structures might be desirable, but the newly started company has not had the time, nor possibility, to create these hierarchies. If companies like these were used in the study, the results would reflect how flat structures are handled among newly started companies. This thesis aims to find answers among the well-established, so if newly started companies were to be included, the results could be misleading. Therefore, the companies that were contacted are all well established and can be considered middle- to large-sized (European Commission, 2003). Due to the possibility of conducting the interviews by video link, the country in which the companies were based was not a factor of interest.

The company that was finally chosen for the study was Menlo Innovations. Menlo is a software developing company based in the city of Ann Arbor in Michigan, USA. Menlo was founded in 2001 (Menlo Innovations, n.d.), and today they have over 50 employees (Menlo Innovations, n.d.). Apart from an executive team consisting of the two co-founders and a chief strategist, Menlo has fully committed to a workplace run by the employees. Therefore, Menlo seemed like the perfect fit for this study.

There were no specific criteria for which candidate was suitable for the interview. Due to the company being flat, it was not possible to ask to interview someone from a certain position, because this formal position does not exist at Menlo. Therefore, the three interviewees were decided by Menlo itself. The interviewees were all women in different ages and varying in time employed at the company. The three interviewees were: Mollie Callahan, Lindsey Krumrei, and Michelle Pomorski.

In addition to the interviews, Menlo was able to offer more sources for data that would help answer the research questions connected to the thesis. Firstly, Menlo Innovations offers a weekly virtual tour for those who are interested in a deeper understanding of their organization. During the 90-minute tour, representatives of Menlo presented their company and how it is structured. The tour functioned as a contraposition to the interviews. The tour gave answers on what Menlo wants the public to know about the company, while the interviews gave answers to what the thesis wants to know about the company.

To further expand the data for the thesis, a contact person at Menlo, Lisa Ho, was able to offer a previously recorded 45-minute interview and articles written by the co-founders of Menlo. The information offered by Ho was deemed relevant to the process of answering the research questions. In addition, information published on Menlo's website was used to further expand the data material. Their website is very informative and provides a large amount of publicly available data.

2.6 A critical audit of the thesis

In this part of the thesis, the method of choice will be viewed with a critical mind. This will help the reader understand potential flaws with the study and the limitations that it brings.

2.6.1 Advantages and disadvantages with the qualitative interviews

A qualitative method was considered the most appropriate in answering the research questions connected to the study. However, the qualitative method is not without its limitations. The gathering of some data could also have been done through a quantitative study, but the benefits of the selected method outweigh the limitations. In the following paragraphs, the pros and cons of the qualitative method will be discussed.

2.6.1.1 Advantages

The benefits of the qualitative survey that the thesis uses to gather data are many. The thesis wants to gain a deeper understanding of the observed company's organizational structure, which the thesis does not consider possible with a quantitative method that could, for example, have been a survey. No two individuals think alike, and it is therefore pointless to standardize the questions in the form of a questionnaire. A survey can limit the respondents' answers, which means that valuable information can be lost. In order to answer the thesis' research questions, it is desirable to be able to ask open-ended questions where the respondent has the opportunity to give detailed answers, and the opportunity to ask follow-up questions on the points considered relevant, which the interview makes possible. Issues concerning decision-making are complex, and trying to simplify these into a questionnaire form can lead to valuable details being left out. In Business Research Methods, Bryan, Bell, and Harley write that quantitative surveys often "force" qualitative data into numerical form, and critical information can thus be lost in this simplified form (Bell, Bryman & Harley, 2019).

An interview does not guarantee but improves the probability that the thesis will get answers relevant to the research questions. It also makes it easier for the respondent to ask counter-questions if any of the questions appear unclear. Another advantage of interviewing is that it generates spontaneous responses, which can mean that the respondent says what he thinks rather than what is expected of the person. This risk arises with more thoughtful answers. People have different perspectives on what the thesis investigates, and these differences can be seen in a qualitative study (Bell, Bryman & Harley, 2019). With the qualitative method, the thesis also has the opportunity to record the interview and thus listen to it again if needed. In this way, new details can be discovered in the respondent's answer.

2.6.1.2 Disadvantages

One disadvantage with the qualitative study is that the study is based on an informative but limited amount of data. With this in mind, some benefits of a quantitative survey are made clear. The thesis could have reached out to more organizations with a survey and thus been able to make comparisons between the companies.

Another disadvantage, which may be critical, is based on the principle of integrity. A survey can be conducted anonymously, which can increase the probability that the respondents answer our questions honestly. In an interview, there is a risk that the respondent, who is now not anonymous, wants to defend the organization's structures and thus exaggerates the positive aspects with decentralization and undermines the negative ones (Vainio, 2013). In Business Research Methods, the subjective nature of qualitative research is mentioned as a potential problem. The opportunities to recreate our study are also limited, making our results possible to question (Bell, Bryman & Harley, 2019). Regarding this thesis, the answers received from three employees at Menlo Innovations might not be the view of other employees at the company.

An additional problem with a qualitative study mentioned in Business Research Methods is that the study becomes linked to the investigated company. It becomes difficult to draw general conclusions with the subjective database (Bell, Bryman & Harley, 2019). The thesis can answer questions regarding processes at Menlo Innovations but cannot draw conclusions regarding the broader phenomena of flat organizations.

2.6.2 Trustworthiness

Bryman, Bell & Harley (2019) writes about the differences between qualitative and quantitative research regarding trustworthiness. Important terms the authors bring up are trustworthiness and authenticity. Trustworthiness in this study is being upheld by the fact that several people within the same organization are being interviewed. This is done to avoid any biases any sole interview participant may bring. To each interview, a paper with the interview questions was brought. This was done to make sure the analysis between the interview responses could be used to compare them. The same baseline questions also give each participant the same conditions.

Every interview was transcribed to make sure the study is transparent. Attachment of the transcriptions also gives future researchers the ability to challenge the trustworthiness of the conclusions that are drawn from the study.

To further increase the trustworthiness of the study, publicly available documents and a virtual tour were used to confirm, and/or, scrutinize the statements made by the interviewees. The data collected from the interviews represents the employees subjective view on Menlo's organizational structure, while official documents from the website and their virtual tour represent how Menlo wants to be perceived. By combining these different sources of data, it enables the thesis to draw conclusions on how decision making in the three selected areas works at Menlo Innovations.

2.6.3 Limitations

In this section of the methodology, potential limitations with the study will be presented. One possible issue with a case study might be that all information collected regarding Menlo Innovations comes from the company itself. This might impact the credibility of the collected sources, it is important that the reader consider this during the reading of the thesis.

2.6.3.1 Limitations with the interviews

One limitation of this study is the lack of diversification among the respondents in the interviews. All are of the same gender, from the same organization with similar roles. The sample size is also small, as only three interviews were conducted. This makes it harder to claim that the whole organization's view is represented in the sample.

A limitation with regard to conducting the interviews through video links is the issue of non-verbal communication. Non-verbal communication appears in different forms, the most common types are tone of voice, facial expression and body language (Matsumoto *et al.*, 2013). These forms of communication that are non-verbal are difficult to observe when the interview is conducted over video link. Therefore, some information might have been missed during the interview.

Another limitation is that there might be a bias in the respondent's views. Two of the study's interviewees said they were intrigued and positively influenced by the flat structure of their organization when they applied for their current job. This could mean that they are personalities that correspond differently with the structure. However, the third respondent was not affected by the organizational structure when applying. Her answers correspond to a high degree with the other respondents' answers, increasing the representational value of the study. This limitation can be connected to the well-known psychological phenomena of confirmation bias. Confirmation bias is when individuals embrace the information that matches their view on the world (Sedoric, 2013). The three interviewees all work at Menlo Innovations, and might want to confirm their paradigm connected to the purpose of the company.

2.6.3.2 Limitations with the public information presented by Menlo Innovations

One potential limitation of this study is that some of the data that has been used is public information presented by Menlo themselves. This data might be influenced by confirmation bias. This means that the representatives of Menlo Innovations might want to undermine information that does not line up with the views of the corporate culture (Kappes *et al.*, 2020). This leads to the assumption that Menlo tries to present their way of management as highly successful, and therefore, leaves out the problems that might arise with a flat organization. The virtual tour is designed to, at least predominantly, present the positive aspects of a flat organization and the success Menlo has achieved. They allowed the attendees to ask questions, which indicates that they are not trying to hide information about the company. However, it is difficult for an outsider to confirm whether their statements are correct and truthfully presented. It is important for the reader to have this in mind while reading the thesis. The same problem arises with the documents and information presented on Menlo's website. If Menlo wants the public to perceive their way of management as successful, they probably would not present the negative aspects easily accessible.

2.6.4 Ethical Considerations

Every study has some ethical considerations which are important to keep in mind. In this section, the ethical considerations of the thesis will be presented.

Bryman, Bell & Harley (2019) presents four different areas in which ethical considerations are important, whether the research: harms participants, lacks approval, invades the integrity of others or if any form of fraud is being made during the study. Through voluntary interviews with certain figures in an organization, this study should not harm the participants in any critical way. The participants' names and roles and the name of the organization will be written in the thesis. The recorded interviews will be kept until the report is published and then deleted. To make sure the study does not infringe upon the participants' approval, integrity and that the writers of this report do not commit any form of fraud, there is of high importance that the study is characterized by total transparency throughout the process. Every participant will be informed about the procedures and methods before the study is done. Participants from the interviews and other representatives of the organization will get the transcription of the interviews before the report is published.

The fact that the names and roles of the interviewees will be disclosed in the thesis, might be an issue. In anonymity, there is a security to the interviewees to disclose their own subjective opinion of a situation. This thesis is interested in the processes and ability of an organization to operate a business without a formal decision-maker. This subject is damaging to neither the company nor the employees of the company to disclose. Therefore, the decision to disclose the names and roles of the interviewees was a decision that strengthens the trustworthiness of the study and at the same time does not put the employees in any bad situation.

3 Results

The result presents relevant findings from the collected data. The result covers how decisions are being made at Menlo Innovations in terms of wage setting, recruitment and long-term goals. The data that is presented has its origins in the interviews conducted for the study, the virtual tour at Menlo Innovations, a pre-recorded interview and additional public documents.

3.1 Wage-setting at Menlo Innovations

In this part of the results-section, findings regarding decision-making in wage-setting will be presented.

3.1.1 Wage Framework

There are many similarities in all three interview participants' answers regarding wages, promotions, and relegations. They are all describing what Callahan calls a "matrix," and Krumrei calls a "board" with different levels of rows and columns. With the help of a chart, every employee is placed inside a box that represents a specific wage, which was explained by Krumrei. Krumrei's following answer is a well-represented description of the wage framework:

"We actually have a rows and levels board at Menlo innovations, and there are columns which kind of show where everybody is sitting within the organization".

Krumrei

Publicly, the organization says that the entire team makes promotions and personnel decisions and that they "have no supervisors or annual performance reviews" in the office (Menlo Innovations, n.d.). This is supported by Callahan, who says that the framework is a "peer-based system". When asked to describe the decision-making regarding wages and similar operational decisions in general, all interviewees stressed that the team of personnel makes the decisions.

Important to note is that not everyone in the organization is part of this wage system. Callahan says that the two co-founders, Rich Sheridan and James Goebel, and one additional executive, have other wage determinants. When asked about who is part of what Pomorski calls "the executive team", she says: "Rick and James are the two co-founders, and Erica is our chief-strategy officer”. Pomorski then calls the rest of the organization’s processes “flat”. Callahan means that there are two hierarchical levels regarding the wage structure. One including the three, in some sense formal leaders, and one including the rest of the personnel in a flat structure.

3.1.2 Transparency of Wages

Callahan described that everyone’s wage is transparent to the entire personnel. Callahan later gave a developed answer regarding the value of wage transparency: because everybody knows what everybody earns, everybody can evaluate each other's performances and what value they bring to the organization. Thus, transparency is a tool to achieve peer involvement in the determination of wages and promotions. A lack of transparency regarding wages would, according to Callahan, cause people to speculate whether a particular colleague’s value would correspond to their wage and hence not be able to judge whether a promotion or relegation would be plausible or not.

“*Everyone's earnings are completely transparent. We are using that system not only to think about what people are earning in relation to what value that they bring, but that visible management is a tool where we evaluate the value of our peers.*”

Callahan

“*We want to say how does Krumrei and the value that she brings compared to other people at her level and above and below her”.*

Callahan

These statements are subtly supported by the other two respondents’ answers regarding their flat system’s generally positive effects. Transparency also came up as an important factor regarding the hiring process. Callahan describes their hiring process as “ultra-transparent”.

“We are using that system not only to think about what people are earning in relation to what value that they bring, but that visible management is a tool where we evaluate the value of our peers”.

Callahan

The importance of transparency in wages was further explained by Hutchins in the virtual tour. Hutchins started by explaining the negative climate he had experienced at previous organizations he had been working at. According to him, the pressure of keeping things such as wages a secret and being a part of, what he called, the payroll system, contributed to it being a negative experience at those workplaces. At Menlo, Hutchins means the experience is different. From the first day, it was very transparent exactly what everyone made.

"(When talking about his previous workplaces) I was instructed very heavily, you are not allowed to do this, and keep this a secret. When i came to Menlo, from day one, someone is making X dollars and if you do the math this person makes Y dollars more and if you run up the scale you can know everybody"

Hutchins

3.1.3 Determinants of wage levels

According to both Callahan and Pomorski the individual's peers ultimately determine wages. Excluding the three people in the executive team, wage increases and decreases are decided by the whole personnel without any formal influence from the co-founders and chief strategic officer. Callahan says that colleagues can advocate for a promotion for someone, and then the employees decide whether it would be justified or not. She also says that people can self-advocate, and then the same process of collective decision-making occurs.

"As the team determines, a team member can move through those various levels, and there is an associated pay rate with those levels. But we do not have your traditional hierarchical management that you would see in other organizations, hence the flat side of things".

Pomorski

"Hourly wage varies based on the level of which you are at. That level is determined by our peers. It is a peer-based system of multiple roles weighing in on the value that you bring to the organization".

Callahan

All of the respondents gave similar answers regarding what aspects are taken into account when deciding which wage level any employee should be at. One common trend in the answers is that the level should correspond with the value a person brings to the organization compared to everyone else. Callahan, for instance, said that particularly people with high technical and social skills could get through to higher levels of wages rapidly.

"*We are using that system not only to think about what people are earning in relation to what value that they bring, but that visible management is a tool where we evaluate the value of our peers. So, when we look at that, we want to say how does Krumrei and the value that she brings compared to other people at her level and above and below her.* "

Callahan

Callahan says that the educational background is not of great importance when determining someone's wage level. She says that just a certain degree is not a sufficient condition for a higher level. That was true for herself since she started at the first associate-level even though she has a Ph.D. This is supported by Krumrei, who also says that most new employees start at low levels, regardless of background, such as education, but rather based on the person's skill set. The cultural fit, however, is something regarded as valuable. Both Callahan and Pomorski say that cultural fit is the first thing they are looking for when making hiring decisions.

"*The first thing we are looking for is the cultural fit piece*"

Pomorski

"*A lot of people come in as associates, some come in as consultants, it is dependent upon a little bit about your background and where you are, and then as you gain experience, and learn and grow at Menlo, you move up the column into different boxes and then essentially you can make jumps to the next level*".

Krumrei

"*Most people start at the lower end of the spectrum regardless of the skillset that they bring in. But people that have high technical and social skills and can learn quickly, rapidly go through.*"

Callahan

Callahan talks about the variation in speed of different employees' promotional developments. This is because the person's skill set, value to the organization, and cultural fit are the important determinants, rather than time at the organization or educational level. All of the respondents gave answers that support the idea that most new people start at a lower level. Cultural and technical skills account for the main difference in speed the employees promote to higher levels.

"*The speed that people move through level can vary quite a bit and again that is because there is no formal system of you have to be here for this amount of time to move up*".

Callahan

3.2 Recruitment at Menlo Innovations

In this part of the results-section, findings regarding decision-making in recruitment will be presented.

3.2.1 Extreme Interviews

In their recruitment process, Menlo Innovations use what they call "extreme interviews" (Menlo Innovations, n.d.). Due to their heavily decentralized organization, Callahan explained that there are no managers who make the hiring decisions, but instead, it is the employees. On their website, Menlo describes the thought behind their interviews in the following:

"Because teamwork is critical to who we are, Menlo hires for kindergarten skills first and technical skills second." (Menlo Innovations, n.d.)

In the interview with Callahan, she described how the "extreme interviews" worked in practice. The different applicants, who could be anywhere from ten to forty persons, are paired together and are given a set of tasks. However, it is made clear for the applicants that Menlo's primary focus is not on whether the task is completed or what the output is. Instead, what is of interest is how the applicants interact with each other. Callahan pointed out that what is interesting for Menlo is whether the applicants share resources, share ideas and help each other, but also if the interaction and contribution are balanced between the two parts. According to Callahan, Menlo mainly hires based on culture, and the extreme interviews are therefore designed to evaluate cultural fit. Pomorski further elaborated this point by describing the different responsibilities that come with being employed at Menlo:

"There is a lot of responsibility that comes with this kind of organization. You don't come in and just work as a developer, as an example, on a development task, there is a whole bunch of additional expectations around running the business. You know we do the HR side of things, all of that comes with the way we are structured"

Pomorski

The great responsibilities that come with a job at Menlo was further explained by Hutchins in the virtual tour. Hutchins mentioned that the employees are involved with the company's finances, something he has not experienced at his former workplaces. Hutchins means that the transparency of the company's finances is one of the factors that makes the workplace feel safe and welcoming, something he experienced from the first day he was hired.

"Another amazing facet Menlo has, is James and Richard are very big on us learning open book finance"

Hutchins

Due to the flat structure of Menlo, it is the employees who observe and evaluate whether the applicants are fit for the organization, which was explained in the interviews. According to Krumrei, one to two Menlonians will observe the pairs as they work through their task. Krumrei further explained, after twenty minutes, the applicants will be assigned new pairs and exposed to new assignments. The applicants will go through three different tasks before it is time for the observing Menlonians to evaluate their efforts. In the decision-making stage of the interview, the observing Menlonians will either give a thumbs-up, thumbs-down, or a thumb in the middle. According to Callahan, if there is consensus on either thumbs-up or thumbs-down, they usually do not discuss the results deeply, which they will do if there are predominant thumbs in the middle. If the applicants pass the test, they are brought in for a three-week trial. According to Pomorski, this phase is crucial because the applicant now gets an opportunity to discover how it feels to work at an organization with the structure of Menlo. Callahan explained that during this three-week trial, the applicants are working on billable projects where they have the opportunity to work with several people.

"They are going to rotate around projects technology, domains, with numerous peer-partners. There is where the cultural fit and all of the other things that are important to get the job done get evaluated "

Callahan

During the extreme interview, Menlo is very transparent about the fact that what they are looking for is people committed to making their peer-partner look good and not only themselves (Buchanan, 2011). In the interview with Krumrei, she said that the applicants are told from the start of the extreme interview that they should try getting their partner hired:

“We tell them at the beginning, the main thing we want you to do is to get your partner hired, which is so incredibly different than what you would traditionally think of in an interview.”.

Krumrei

3.2.2 Hiring a new employee

According to one of the co-founders, Richard Sheridan, the employees involved in the extreme interviews gather after all the applicants have gone home. They sit together and discuss the applicants. Sheridan explained the process in his article:

“After all the applicants have gone home, we bring in pizza and pop, and the entire staff discusses what we’ve seen. We bring up the candidates one by one. The three Menlonians who observed a candidate (across three different pairings) are polled on his performance. Three thumbs up, and he is invited back for the next stage. Three thumbs down, he gets a polite note. A mix of thumbs kicks off five minutes of discussion, during which the staff quizzes the observers. Based on what they've heard, the whole staff then votes up or down, and we go with the majority decision.”

Sheridan (Buchanan, 2011)

On their website, Menlo writes that they hire for “kindergartens skills” (Menlo Innovations, n.d.), which was also mentioned by Krumrei:

“We tell them to make sure you’re demonstrating good kindergarten skills, you’re sharing the pen, you’re collaborating together”.

Krumrei

The ability to cooperate and work as a team are character traits all three of the interviewees pointed out as desirable, but were made clear by Pomorski in the following quote:

"We're looking for specific things around you being a team player, you're a good listener, are you willing to admit you don't know something, so we are really looking for that co-creation, so the mindsets that are wanting to do that.".

Pomorski

Due to the employees always working in pairs, Pomorski means that being good at cooperation communication is a must for Menlo Innovations, an organization without a formal management hierarchy.

The decision-making in the recruitment process was further explained by Hutchins in Menlo's virtual tour. When trying to find the perfect candidate, Hutchins mentioned that it is equally as important for Menlo to try potential team members, as it is for the candidate to try Menlo. He means that the extreme interviews are a golden opportunity for this to take place. Hutchins compared the extreme interviews to speed dating. The applicants are assigned a task that they are supposed to finish by cooperating with their assigned partner (Menlo Innovations, n.d.).

In an interview with Woohoo Inc Lisa Ho, a project manager at Menlo Innovation, discussed that some applicants try to contact the two co-founders to raise the odds of them being employed. This is met with a reply that they do not have any decision-making authority when it comes to the hiring process.

"Some people will think that if I contact Rich or James, they will have input. They are the founders of the company. If I have a good conversation with them, I can get hired and they say that they get all these emails and they write back and say that they do not have any decision-making authority in hiring decisions."

Ho (Woohoo Inc, n.d.)

3.3 Strategic long-term goals at Menlo Innovations

In this part of the results-section, findings regarding decision-making in strategic long-term goals will be presented.

3.3.1 Menlo's 2027-vision

Regarding the strategic long-term decision-making process, all interviewees discussed the importance of collective decision-making. Callahan remembered the year she began working at Menlo Innovations. All colleagues began to write the vision and goals for the company collectively. The process of writing the long-term vision for the organization was done collectively in the entire company. They had multiple working sessions where all employees could whey in on the strategic goals that the organization would strive for until 2027.

"We decided to write a 2027-vision for the organization, so that is more long-term. That was not the partners, the CEO sitting down on what that was going to be. It was probably a year-long process there were a lot of working sessions, team members were rotating in and out."

Callahan

Pomorski explained the importance of ownership in strategic planning: All employees have a role in this process, and everyone in the company has a responsibility to be a driving force for success. The employees in the organization all have the liberty to make decisions regarding clients or other advantageous decisions regarding the corporation. This promotes freedom for the employees to develop processes that strive toward the 2027-vision. When the decisions do not need to be processed through a multitude of hierarchies, they can be implemented in a more effective manner.

"So in some ways we all have a voice in that and we all have ownership towards that and it could be something as simple as your working on this task with this partner on this project, that ties to a bigger goal if we want to secure more business from this client and here is how that ties to that bottom line and here's how this bottom line ties to this larger business goal we have of you know getting a new space or whether the case might be and we have visibility into all of those decisions."

Pomorski

Pomorski describes it as all the small decisions each employee makes on a daily basis are an important part of the long-term strategic goals. The employee's decisions regarding a client can reflect the ambition in the 2027-vision of growing the business. Each member of the team makes these decisions, and everyone has ownership in these important issues. Callahan discusses how the company handled the issue of going to a remote environment during the Covid restrictions. They used ideas from all employees to improve the new working environment, which enables the company to utilize all the competence that exists in the organization.

“How do we solve this specific problem? How do we grow our team? How do we transition to a remote environment? Because there are no barriers to anyone coming up with a solution and running it and invite others to participate in that idea.”

Callahan

“We as a team are all working together for that same goal, towards those same goals”

Krumrei

Pomorski talked about how the subgroups (e.g., the group of employees responsible for hiring) are used to improve upon the visions for the company. The employees that participate in these subgroups are rotating, so everyone has the opportunity to weigh in on the solution. According to Pomorski they use subgroups that are working on this instead of holding formal meetings with the entire workforce because of the issue of efficiency. If everyone were at a meeting, no work would be done during that period. When rotating the working groups, they hinder an informal hierarchy of decision-makers from forming in the organization.

“We certainly can all have input in these things, but we cannot hold formal review meetings that include the entire team or we would never get work done.”

Pomorski

Krumrei discussed how the absence of a formal hierarchy affected the employees at Menlo Innovations. She believed that the employees see themself as a part of an equal team that works together to reach the goals and visions for the organization. This vision of working together as a team is also what motivates employees to work hard towards the goals and visions of the company according to Krumrei. This opinion is supported by Pomorski, she is motivated by the fact that the colleagues work together to co-create the future of the company.

“We as a team are all working together for that same goal, towards those same goals.”

Krumrei

“I think part of the incentive is coming to work every day knowing that I'm going to bring my best self and my team brings their best selves and we are going to work together to co-create something amazing and solve some problems.”

Pomorski

3.4 Decision-making process at Menlo Innovations

In this part of the results-section, overlapping findings regarding the decision-making process at Menlo Innovations will be presented.

When asked if there are any safety checks to minimize the risk of bad decisions being made, Pomorski said that Menlo primarily relies on the strengths and expertise found in the team. Pomorski explained that there is rational thought behind important decisions and the importance of involving those with a greater understanding of the subject in question.

"We might want to purchase new equipment and we weigh the pros and cons of purchasing it, the cost behind it and then we bring it to one of the experts on our team about the finances"

Pomorski

This point was further explained in an example by Pomorski, where she mentioned that if the whole organization relies on one person to put together project proposals, the company could only move forward as quickly as said person. Based on that point, Pomorski emphasizes the importance of shared knowledge and skills being developed across the team.

Both Pomorski and Krumrei said that their confidence has increased due to the flat organizational structure. They both mention the lack of management and more personal responsibility (or as pairs) in decision-making as a reason for their increased confidence.

"*I think we all learned great skills in how to run a business and facets of running a business because we are not relying on those silos of management. We're responsible for all those decisions as I've touched upon several times. So, there is a lot of skill and confidence in that*".

Pomorski

In the virtual tour, Hutchins explained the importance of flexibility in the decision-making process. According to Hutchins, one of the "golden pillars of Menlo" is communication and collaboration. All of the processes at Menlo Innovations are embedded with these two factors. This is made possible with the openness and transparency of the company. Examples mentioned by Hutchins is the open landscape office, no monitoring of emails and not having to schedule meetings. One of the founders, Richard Sheridan, calls it the "high speed voice technology", which takes form in the concept of “Hey Menlo!”. Hutchins explained that any employee, at any time, can rise and shout out “Hey Menlo”, and everybody in the room will stop what they are doing and start listening to the person shouting.

“Everybody stops what they are doing, pays attention, and in that moment, we are able to achieve a whole company meeting in a handful of seconds.”

Hutchins

Hutchins means that a lot of time can be lost with other approaches, for example, scheduling. According to Hutchins, Menlo’s method speeds up the process of getting a solution to your problem. He means that by getting the attention of the entire company, it increases the possibility of quickly coming in contact with the person who might have the solution. Hutchins means that this method of flexibility and fast access to knowledge, eases the process of decision-making (Menlo Innovations, n.d.).

4 Analysis

In this section of the thesis, the results of the study will be analyzed. How the decision-making process of wage setting, recruitment and long-term goal setting at Menlo Innovations, will be connected with the earlier research and theoretical framework presented earlier in the thesis.

4.1 Wage Setting

In the central theory of the thesis, Mintzberg, Raisinghani and Théorêt explain different aspects of the decision-making process. They divided the decision-making process into three different categories (Mintzberg, Raisinghani & Theoret, 1976). When it comes to wage-setting at Menlo Innovations, the process and solution are pre-packaged. Callahan explained it in the following:

"Hourly wage varies based on the level of which you are at. That level is determined by our peers. It is a peer-based system of multiple roles weighing in on the value that you bring to the organization".

Callahan

And it was further explained by Pomorski:

"As the team determines, a team member can move through those various levels, and there is an associated pay rate with those levels. But we do not have your traditional hierarchical management that you would see in other organizations, hence the flat side of things".

Pomorski

Mintzberg, Raisinghani and Théorêt called these types of decisions "By the solution for the decision". When a company creates their own solution to an internal issue, that decision is called custom-made (Mintzberg, Raisinghani & Theoret, 1976). Callahan described the wage-system as a "matrix" and Krumrei described it as a "board". Whether you call it a "matrix" or a "board" is not the critical part, the most important aspect that the two interviewees presented is that it is a system created by Menlo itself, hence, the "By the solution for the decision".

According to Fuess & Millea (2002) the process of wage-setting is important for organizational effectiveness. This is an important decision-making process that the founders of Menlo Innovations have given control of to the employees. Krumrei mentioned that the wage-system is pictured on a "rows and levels board". By mentioning that there are rows and levels that fit on a board, Krumrei indicates that there is a maximal wage level. However, neither the interviewees, the virtual tour, pre-recorded interview, or any of the additional documents have mentioned any "safe-switch" that would restrict all the employees to give themselves the top wage. Miller and Whitford (2007) means that efficiency in an organization increases when the organization encourages initiatives by incitement rather than coercive methods, and Reitzig and Maciejovsky (2015) means that the employees' knowledge is better utilized in a flat organization.

Connecting this to Menlo, when all the employees take responsibility in deciding their peers' wages, the maximum knowledge of the deservable wage is achieved. This does not answer why everyone does not get put in the highest wage level. However, if someone that brings a lot of value to the organization, and thereby has a greater wage, “gives" a raise to a person who does not contribute as much, the first person would undermine their own work when both persons are put in the same wage level, but contributing different amounts.

Fuess & Millea (2002) further explained that the transparency of the wage-setting process was of importance when measuring the effects on the organizational efficiency. At Menlo Innovations Hutchins explained that transparency of the wages was important for him to use as a benchmark on how to improve. Mchugh et al. (2016) have in Figure 1 explained the process of collective decision-making. The most important aspect of this process is that the group has knowledge about individuals' experience and knowledge. Callahan expressed how the transparency of wages for the employees created a benchmark for what value each team member brings. She continued that everyone can look on the board and see how the co-workers value the experience and knowledge of her peers. This gives an indication of what value each employee brings to the group and informs new employees how each employee is perceived by the group. This is connected to Figure 1 that explains that the most vital part of collective decision-making is the information about others' experience and knowledge, and the bracket gives an insight into what the other perceives as a valuable trait.

The group-dynamics is an important part of collective decision-making (Mchugh *et al.*, 2016). According to Forsyth (2017) a group of employees are usually held together through a set of common goals. According to Callahan the effectiveness of employees to strive toward the set common goals is the important aspect of the wage-decision. Callahan further explains it is the peers of the employee who decide the value of the employee. She explains that the process of reaching the higher wage bracket is not based on the time spent at the organization, rather the value that the employee brings to the group. By the remarks made by Callahan, it seems as if the ability to strive to the same goal as the group, as explained by Forsyth (2017), is an important aspect in deciding the wages.

A major issue that can arise in the process of making a decision is, according to Forsyth (2017), egocentric behavior, where one individual is trying to benefit himself instead of the success of the collective. In the interview with Callahan, she explains that an employee can self-advocate in the wage-process. This might lead to a chain of events where some of the employees take control of the process and benefit themselves on the cost of the rest. However, Due to the transparent, peer-based system, it is reasonable to assume that all egocentric behavior would get punished by the rest of the group, and by that, minimizing the incentives to act egocentrically.

4.2 Recruitment

When Menlo Innovations are faced with the task to hire a new employee, they show traits of the decision-making process presented by Mintzberg, Raisinghani and Théorêt, which means that decisions can be divided into three categories. Category (A), *by the stimuli that evoked the need for a decision*, is a scale between *opportunity decisions* and *crisis decisions.* Meaning, is the decision being made to enable further growth for the company, or is it made to save the company in times of crisis (Mintzberg, Raisinghani & Theoret, 1976). Today, the total number of employees is a bit over fifty (Menlo Innovations, n.d.), but during the interview with Callahan, she mentioned that the applicants in every session could be between ten to forty persons. This indicates that there are more people applying for a job at Menlo, than people actually being hired. With this in mind, Menlo seems to work with opportunity decisions in their hiring process, meaning, they are hiring for the purpose of corporate growth. This is further supported by the fact that there were no indications in either the interviews, virtual tour or public documents, that Menlo Innovations is in a crisis, and therefore, do not need to make crisis decisions in the hiring process.

As mentioned in the interviews, the hiring process used at Menlo Innovations is a custom-made decision-making process called *extreme interviews.* This is reminiscent of the category (B) mentioned by Mintzberg, Raisinghani and Théorêt, specifically (B3) *There might be solutions that are custom-made for the specific decision.* Both Callahan and Pomorski mentioned that Menlo mainly hires for cultural fit, and Hutchins mentioned that it is important for Menlo to try several potential candidates. The extreme interviews seem to be their way of creating a hiring process that makes the desirable character traits visible, and by that, eases the decision-making process in choosing new employees. Rivera (2012) proposes that during the recruitment process, the recruiter heavily bases his decision on how similar the applicant is to the recruiter in terms of interests and character traits. This is reminiscent of how Menlo makes their decisions in the hiring process. Similar to how Riviera presents it, Menlo rejects applicants with good skillsets, in favor for applicants who have similarities with the recruiters, meaning, applicants who fit the culture.

The structure of the hiring process at Menlo Innovations is reminiscent of the first issue presented by James G. March (1997). The decisions made in the extreme interviews seem to be *choice-based*, meaning, the decision-makers weigh different alternatives against each other, and by that, rationally decide which applicant is the most fit for the working environment of Menlo. This is supported by one of the co-founders in the article The Most Unusual--and Effective--Hiring Process You'll Ever See. Sheridan explained that after the applicants have left the factory, the entire staff discusses what they have observed during the extreme interviews. The Menlonians who have observed a candidate presents what their view on said candidate is, and the rest of the staff gives either a thumbs up or thumbs down. Neither Sheridan, the interviewees or Hutchins from the virtual tour mentioned any specific task or criteria the applicant had to complete in order to get hired. Instead, if a certain applicant were to be hired, it was due to their cultural fit. In the virtual tour, Hutchins indicated that this is a trait that is difficult to measure by binary tools, it is something that has to be experienced. Hutchins mentioned that it is equally as important for Menlo to try potential team members, as it is for the applicant to try Menlo. This is a strong indication that it is difficult to know beforehand if a certain person is fit for Menlo’s culture, and therefore, the only way to know is to try it in practice. This further strengthens the connection to choice-based decision-making. It is also possible to connect the extreme interviews to James G. March (1997) third issue, namely that the outcomes are attributable to the actions of an *interacting ecology*. When the representatives of Menlo mentioned the importance of cultural fit, they meant that it is important for the employees to take part in the organization's culture which enables them to fit together. Based on the theory by March (1997), this means that the employees cannot function as strictly independent actors, instead, these independent actors need to take part of the society, which in this case is Menlo. The way Menlo values cooperation and being a team player was strengthened by the following quote by Pomorski:

“We’re looking for specific things around you being a team player, you’re a good listener, are you willing to admit you don’t know something, so we are really looking for that co-creation, so the mindsets that are wanting to do that.”.

Pomorski

However, according to a study by Milgram (1997) the extreme interviews might not be necessary when Menlo are trying to find people fit for the group. Milgram (1997) mentioned that there often is conformity to the norms of a group. When a group is exposed to a new member, Milgram (1997) means that said member will adapt to the language, habits and routines of the group. The new member wants to feel belonging to the other individuals and find inner strength when he finally sees himself as part of the group. With Milgram’s study in mind, Menlo’s motivation for the extreme interviews grew weak and could be questioned.

4.3 Long-term Goals

The process of writing the 2027-vision was explained by Callahan. She explained it as a collective process by the entire workforce at Menlo Innovations. The process of working as a collective to formulate goals and processes is examined by McHugh et al (2016). They concluded that when a group collectively sets their goals, the employees consider themselves as part of a team instead of an individual. This point is mentioned by all of the interviewees that the collective decision-making is contributing to a more effective work environment. The point of effectiveness is supported by McHugh et al (2016), who wrote that when the goals are set as a collective the individuals are more eager to achieve the collectively set goals.

The collective effort to write long-term goals might have issues related to the minimization of conflict. Bundersson et al (2016) found that in organizations with formal hierarchies the work environment was easier to steer off from conflict. The issue of conflict was not mentioned as an issue by any of the interviewees; rather they saw the lack of hierarchies as a strength in the work against conflict. It might not be the lack of formal hierarchies that are preventing conflict at Menlo Innovation, but as stated by Forsyth (2017) in the absence of formal hierarchies there are informal hierarchies created.

According to Mintzberg, Raisinghani and Théorêt (1976) when individuals or groups are faced with a complex issue, they prefer to break it down into sub-decisions. The important aspect of that is when the sub-decision is decided it does not mean that the complex issue is solved. This approach was implemented with the mission to write the 2027-vision because the process of writing long-term goals for an organization is complex. This process is not repeated every day and therefore the employees did not have a clear map on how to achieve this complex task. As Callahan stated:

“We decided to write a 2027-vision for the organization, so that is more long-term. That was not the partners, the CEO sitting down on what that was going to be. It was probably a year-long process there were a lot of working sessions, team members were rotating in and out.”

Callahan

The process of deconstructing the entire vision down to a meeting was an effort that was a year-long process for Menlo Innovation. The complexity of writing an entire vision was deconstructed into smaller sub-divisions. The reason for this approach was according to Pomorski the fact that if all employees would be able to be a part of the vision no work would be achieved during this period of time. This process is supported by many previous studies, the combination of deconstructing a complex task, giving the employees freedom to make decisions, and allowing the employees to work as a collective to formulate their own goals (Gurbuz & Mert, 2011; Mintzberg, Raisinghani & Theoret, 1976; Mchugh *et al.*, 2016).

The process of allowing the employees to write the long-term goals might lead to issues related to the coordination of the task. Halevy described the strength of the hierarchical organization as a strength of coordination in the organization (Halevy, Y Chou & D Galinsky, 2011). Krumrei described the process as “We as a team are all working together for that same goal, towards those same goals". The issue that might arise from this process is the lack of coordination. When asked about safety-checks against bad decisions Pomorski only mentioned decisions with regard to spending. The interviewees never mentioned safety-checks with regard to decisions about long-term goals. This might suggest that the long-term goals might be intercepted by decisions without safety-checks.

Teo & Choon (2016) explained that if a company wants to reach their long-term goals/visions they need to explain to their employees what needs to be done to achieve the goals. Menlo Innovation solved this by letting the employees write the entire vision. This enabled the employees to write a vision that they believed was realistic to achieve. According to Krumrei the employees at Menlo Innovation work together to achieve the goals. This phenomena is further explained by Ruiz (2006) where the most important part in the path of reaching the companies goals and visions is to invite the employees to either as a collective or with the help of management be a part of the solution.

5 Discussion

In all the interactions with Menlo, their representatives presented the flat organizations as something close to *idyllic*. In neither the interviews, virtual tour, pre-recorded interview or any of the additional documents and articles, was there any major critique of the flat organization. It does not seem plausible that Menlo Innovations are free from internal problems. As was presented by Halevy, Y Chou & D Galinsky (2011), hierarchies can enhance effectiveness from two organizational perspectives. The first being distribution of tasks and dividing labor, and the second being reducing conflicts and enhancing voluntary cooperation. Apart from the perspective of voluntary cooperation, which Menlo seems to be very good at, none of the representatives of Menlo mentioned any of these aspects where hierarchical organizations seem to be more effective. This could be an indication that Menlo have problems in these areas. For example, they talked very highly of their *extreme interviews*. However, neither the interviews, virtual tour or the additional documents mentioned, or in the best case vaguely mentioned, how effective these interviews were in the aspects of time and money. Menlo argues that the extreme interviews help them to find people suitable for their organization. Whether this type of recruitment in the form of the extreme interviews actually is a net-positive could be a task for further research.

The consensus position with regard to the decision-making process is that the process is peer-based. They achieve their decisions through voluntary cooperation between the employees. They saw this system as positive for the company as a whole. But, according to Halevy, Y Chou & D Galinsky (2011) there might be issues of peer-based decision-making. According to this study there might be benefits of a more vertical hierarchy in the decision-making process. The peer-based system might in the long-run lead to a desynchronized organization without a clear route to follow. This was not mentioned as a threat from any of the interviewees rather they praised the system that they followed.

A study, similar to the one conducted in this thesis, by Rahnavard and Asefikia (2014) found similar results regarding the employees' opportunities to contribute to the development of the organization. At Menlo, the employees took part in the setting of the long-term goals in the shape of the 2027-vision. According to the interviewees, this motivates the entire organization to move towards the common goals, which was well explained by Krumrei: *“We as a team are all working together for that same goal, towards those same goals”.* However, the study made by Halevy, Y Chou & D Galinsky (2011) suggests the opposite. According to Halevy, this peer-based decision-making process that is practiced at Menlo will instead result in long-term desynchronization at the organization.

Earlier research with regard to hierarchy is far from a consensus between academics. Bettis-Outland (2012) writes that low-levels of hierarchy enables a more rapid spread of information, which eases the decision-making process. However, Bettis-Outland also mentions that it may not always be desirable, due to potential information overload. Greer et al (2018) means that hierarchies have both positive and negative effects on organizational effectiveness, and Bunderson *et al* (2016) means that whether hierarchies should be desirable or not depends on the employee’s view on it and that there is no objective right and wrong. These researchers mean that there are both beneficial and harmful effects of hierarchies, and by that, the flat organization. An interesting observation was that the representatives from Menlo Innovations have a one-sided view of the organization's structure and decision-making. They did not give a nuanced view of their way of work. Either they are not aware of the potential negative effects of their organizational structure. However, it is not an implausible assumption that they are aware of potential disadvantages, but they do not want to be open about this to the public. It does not need to mean that the representatives of Menlo were actively lying in the data collecting process, but instead, it might be in their self-interest to present the positive aspects of their company. Forsyth (2017) explained that the individual has a desire to be a part of the group identity and adapt to the social norms of the group. Pinto *et al* (2010) further explained that when the group is established and a member deviates from the norms, that person might be viewed as a threat to the group and receive negative reactions. Due to no one at Menlo wanting to be the deviating member, only mentioning the positive aspects could be a way to achieve the group's appreciation.

The consensus of a multitude of the subjects could be further explained by the fact that the interviews, virtual tours, and the writing of the articles were conducted by people employed at the same organization. The collected data could be affected by a common perspective amongst the employees. This could further explain the commonalities in the data. When each interviewee comes from the same environment and have discussed topics with each other for long periods of time, alternative perspectives on certain phenomena regarding the flat organization structure may be missing, and thus, the answers come from the same lense. This might be a case of group-thinking discussed earlier in the thesis. Forsyth (2017) discusses that groups use cohesion to make people follow the culture and shared beliefs. It is possible that the lack of formal hierarchy in the organization leads to a covered informal hierarchy controlled through group cohesion. Group cohesion might be the factor that holds the company together when there are no formal leaders to follow. Therefore, it is reasonable to assume that the result of the study is not possible to generalize between companies or sectors.

Important to keep in mind is that the study conducted in this thesis presents how decision-making functions at Menlo Innovations, and therefore, the results cannot be generalized and be seen as a universal solution for all potential flat organizations. However, the study conducted at Menlo gives an indication on what could work, even at another organization. It is therefore up to the reader to decide whether the results presented in this thesis could be useful for another organization of interest.

6 Conclusion

At Menlo Innovations, a type of hiring method called “extreme interviews” are used. These interviews focus on the applicant's ability to cooperate with their colleagues, rather than their previous knowledge. According to the interviewees, it is important to be an integrated part of Menlo’s organizational culture for the company to thrive, and therefore, culture fit is the most important attribute for the applicants. This study finds that one method of deciding wages in a flat organization is to let every employee’s wage be determined by their colleagues. This results in greater incentives to perform well, and creates a feeling of responsibility towards each other. Thus, the wage-setting system makes sure that everyone earns according to their value they bring to the organization, and contributes to creating an organizational culture in which the personnel feel just and equal. When the employees take part in the long-term goals setting and are part of creating the company's 2027-vision, the employees have incentives to work toward these goals and visions. The employees feel like they work towards something they themselves have created, rather than following orders set by a distant owner or manager.

In conclusion, the collected data was sufficient to answer the study’s research question. The gathering of qualitative data from the conducted interviews, virtual tour, pre-recorded interview, and public documents and articles from Menlo Innovations consisted of concise information regarding wages, recruitment and setting of goals, and the decision-making processes behind them. According to this study’s findings and analysis, the decision-making process at a flat organization is heavily dependent on the responsibility of the employees. Menlo have found a way to make important decisions without a formal decision-maker, by trusting the employees. However, the findings seem to indicate that a common cultural fit is important for this type of organization, meaning, not everyone is suitable to work at Menlo. Transparency in decision-making is also essential since the involvement of many requires access to transparent information to said many. To achieve coherence among employees in working towards the same goals, the employee’s responsibilities towards each other are of importance.

7 Proposals for future research

This study does not analyze flat organizational decision-making from a cultural perspective. However, findings suggest that organizational culture is relevant in understanding the decision-making process of a flat organization, as the interviewees emphasized the importance of cultural fit among the employees. Studies regarding how culture affects decisions and how the absence of major hierarchies affect the organizational culture would hence give a more complete picture of the decision-making in flat organizations.

Another proposal for future research is a quantitative study that measures efficiency. In this study, the thesis focuses on how formal decision-making works in a flat organization, but not if it is effective from a financial or organizational perspective. A quantitative study might find answers to these types of questions that a qualitative study does not have the ability to do.

8 References

Bell, E., Bryman, A. & Harley, B. (2019) *Business research methods*. Fifth edition Emma Bell, Alan Bryman, Bill Harley. Oxford, University Press.

Bettis-Outland, H. (2012) Decision-making's impact on organizational learning and information overload. *Journal of business research*. [Online] 65 (6), 814–820. Available from: doi:10.1016/j.jbusres.2010.12.021.

Blenko, M., Mankins, M. & Rogers, P. (2010) The decision-driven organization. *Harvard business review*. 88 (6), 54–62.

Brooks, C. (2019) *Introductory econometrics for finance*. Fourth edition. Cambridge, University Press.

Buchanan, L. (2011) Menlo Innovations: You'll Never Work Alone - Richard Sheridan. *Inc*. [Online] 2011. Available from: https://www.inc.com/winning-workplaces/magazine/201106/youll-never-work-alone.html [Accessed: 9 August 2021].

Bunderson, S., van der Vegt, G., Cantimur, Y. & Rink, F. (2016) Different views of hierarchy and why they matter: Hierarchy as inequality or as cascading influence. *Academy of Management journal*. [Online] 59 (4), 1265–1289. Available from: doi:10.5465/amj.2014.0601.

Burton, R., Håkonsson, D. & Larsen, E. (2020) New trends in organization design. *Journal of Organization Design*. [Online] 9 (1), 1–2. Available from: doi:10.1186/s41469-020-00072-1.

Cummins, F.A. (2009) Chapter 7 - The Agile Organization Structure. In: Fred A. Cummins (ed.). *Building the Agile Enterprise*. The MK/OMG Press. [Online]. Burlington, Morgan Kaufmann. pp. 187–206. Available from: doi:10.1016/B978-0-12-374445-6.00007-8 [Accessed: 13 August 2021].

Diefenbach, T. & Sillince, J.A. (2011) Formal and Informal Hierarchy in Different Types of Organization. *Organization studies*. [Online] 32 (11), 1515–1537. Available from: doi:10.1177/0170840611421254.

Donley, A.M. (2012) *Research methods*. Student handbook to sociology. [Online]. New York, Facts On File. Available from: http://ezproxy.ub.gu.se/login?url=http://www.GU.eblib.com/patron/FullRecord.aspx?p=914729 [Accessed: 9 August 2021].

European Commission (2003) Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (Text with EEA relevance) (notified under document number C(2003) 1422). *OJ L*. [Online]. 124 pp.36–41. Available from: http://data.europa.eu/eli/reco/2003/361/oj/eng [Accessed: 11 August 2021].

Forsyth, D.R. (2017) *Group dynamics*. Seventh edition. Boston, MassCengage.

Fuess, S.M. & Millea, M. (2002) Do employers pay efficiency wages? Evidence from Japan. *Journal of labor research*. [Online] 23 (2), 279–292. Available from: doi:10.1007/s12122-002-1007-5.

Gina Ruiz (2006) Lesson from the front lines. *Workforce Management*. 85 (12), 50–58.

Goulding, C. (2002) *Grounded theory a practical guide for management, business and market researchers*. [Online]. London ; Thousand Oaks, Calif., SAGE. Available from: http://ezproxy.ub.gu.se/login?url=http://www.GU.eblib.com/EBLWeb/patron?target=patron&extendedid=P_254745_0& [Accessed: 11 August 2021].

Grandori, A. (2001) *Organizational Decision Making*. [Online]. pp.10938–10942. Available from: doi:10.1016/B0-08-043076-7/04243-1.

Greer, L.L., De Jong, B.A., Schouten, M.E. & Dannals, J.E. (2018) Why and When Hierarchy Impacts Team Effectiveness: A Meta-Analytic Integration. *Journal of Applied Psychology*. [Online] 103 (6), 591–613. Available from: doi:10.1037/apl0000291.

Gurbuz, S. & Mert, I.S. (2011) Impact of the strategic human resource management on organizational performance: evidence from Turkey. *International journal of human resource management*. [Online] 22 (8), 1803–1822. Available from: doi:10.1080/09585192.2011.565669.

Halevy, N., Y Chou, E. & D Galinsky, A. (2011) A functional model of hierarchy: Why, how, and when vertical differentiation enhances group performance. *Organizational psychology review*. [Online] 1 (1), 32–52. Available from: doi:10.1177/2041386610380991.

Kappes, A., Harvey, A.H., Lohrenz, T., Montague, P.R., et al. (2020) Confirmation bias in the utilization of others' opinion strength. *Nature neuroscience*. [Online] 23 (1), 130–137. Available from: doi:10.1038/s41593-019-0549-2.

Lindmark, A. & Önnevik, T. (2011) *Human resource management: organisationens hjärta*. 2. uppl. Lund, Studentlitteratur.

March, J. (1997) How decisions happen in organizations? In: Zur Shapira (ed.). *Organizational decision making*. Cambridge, Cambridge University Press. pp. 9–32.

Matsumoto, D.R., Frank, M.G., Hwang, H.S., & Sage eReference (2013) *Nonverbal communication: science and applications*. [Online]. Los Angeles, SAGE. Available from: http://ezproxy.ub.gu.se/login?url=http://sk.sagepub.com/books/nonverbal-communication [Accessed: 9 August 2021].

Mchugh, K.A., Yammarino, F.J., Dionne, S.D., Serban, A., et al. (2016) Collective decision making, leadership, and collective intelligence: Tests with agent-based simulations and a

Field study. *The Leadership quarterly*. [Online] 27 (2), 218–241. Available from: doi:10.1016/j.leaqua.2016.01.001.

Menlo Innovations (n.d.) *Keynotes and Talks | Menlo Innovations*. [Online]. Available from: https://menloinnovations.com/services/keynotes-and-talks [Accessed: 18 May 2021a].

Menlo Innovations (n.d.) *Menlo Factory Tour (Virtual) | Menlo Innovations*. [Online]. Available from: https://menloinnovations.com/tours-and-workshops/factory-tours/menlo-factory-tour [Accessed: 9 August 2021b].

Menlo Innovations (n.d.) *Our People | Menlo Innovations*. [Online]. Available from: https://menloinnovations.com/our-way/our-people [Accessed: 18 May 2021c].

Milgram, S. (1997) *Obedience to authority: an experimental view*. London, Pinter & Martin.

Miller, G.J. & Whitford, A.B. (2007) The Principal's Moral Hazard: Constraints on the Use of Incentives in Hierarchy. *Journal of Public Administration Research and Theory*. [Online] 17 (2), 213–233. Available from: doi:10.1093/jopart/mul004.

Mintzberg, H., Raisinghani, D. & Theoret, A. (1976) The Structure of 'Unstructured' Decision Processes. *Administrative science quarterly*. [Online] 21 (2), 246–275. Available from: doi:10.2307/2392045.

Naor, M., Linderman, K. & Schroeder, R. (2010) The globalization of operations in Eastern and Western countries: Unpacking the relationship between national and organizational culture and its impact on manufacturing performance. *Journal of operations management*. [Online] 28 (3), 194–205. Available from: doi:10.1016/j.jom.2009.11.001.

Olson, E.M., Walker, O.C. & Ruekert, R.W. (1995) Organizing for Effective New Product Development: The Moderating Role of Product Innovativeness. *Journal of marketing*. [Online] 59 (1), 48–62. Available from: doi:10.1177/002224299505900105.

Owen-Smith, J., Cotton-Nessler, N.C. & Buhr, H. (2015) Network effects on organizational decision-making: Blended social mechanisms and IPO withdrawal. *Social networks*. [Online] 41 (C), 1–17. Available from: doi:10.1016/j.socnet.2014.11.004.

Perloff, J. (2013) *Microeconomics with Calculus, Global Edition*. Pearson Education UK.

Perry, T.S. (1995) Designing a culture for creativity. (IDEO Product Development Inc.'s innovations)(includes related article). *Research-Technology Management*. 38 (2), 14–17.

Pettigrew, A.M. (1979) On Studying Organizational Cultures. *Administrative science quarterly*. [Online] 24 (4), 570–581. Available from: doi:10.2307/2392363.

Pinto, I.R., Marques, J.M., Levine, J.M. & Abrams, D. (2010) Membership Status and Subjective Group Dynamics: Who Triggers the Black Sheep Effect? *Journal of Personality and Social Psychology*. [Online] 99 (1), 107–119. Available from: doi:10.1037/a0018187.

Rahnavard, F. & Asefikia, A. (2014) A study on critical success factors on building IT based flat organization: A case study of Mellat Bank. *Management Science Letters*. [Online] 4 (7), 1441–1444. Available from: doi:10.5267/j.msl.2014.6.023.

Reitzig, M. & Maciejovsky, B. (2015) Corporate hierarchy and vertical information flow inside the firm—a behavioral view. *Strategic Management Journal*. [Online] 36 (13), 1979–1999. Available from: doi:10.1002/smj.2334.

Rishipal, D. (2014) Analytical Comparison of Flat and Vertical Organizational Structures. *European Journal of Business and Management*. 6 (36), 56–65.

Rivera, L.A. (2012) Hiring as cultural matching: The case of elite professional service firms. *American sociological review*. [Online] 77 (6), 999–1022. Available from: doi:10.1177/0003122412463213.

Sedoric, T. (2013) The dangers of confirmation bias. *New Hampshire business review*. 35 (1), 23-.

Supovitz, J.A. & Tognatta, N. (2013) The Impact of Distributed Leadership on Collaborative Team Decision Making. *Leadership and policy in schools*. [Online] 12 (2), 101–121. Available from: doi:10.1080/15700763.2013.810274.

Teo, D. & Choon, T. (2016) The Impact of Goal Setting on Employee Effectiveness to Improve Organisation Effectiveness: Empirical study of a High-Tech Company in Singapore. *Journal of Business*. 3 (1), 16.

Vainio, A. (2013) Beyond research ethics: anonymity as ‘ontology’, ‘analysis’ and ‘independence’. *Qualitative research : QR*. [Online] 13 (6), 685–698. Available from: doi:10.1177/1468794112459669.

Williams, R. (2014) Are middle managers becoming obsolete? *Financial Post*. [Online] Available from: https://financialpost.com/executive/leadership/are-middle-managers-becoming-obsolete [Accessed: 2 June 2021].

Woohoo Inc (n.d.) *Hiring for Happiness at Menlo Innovations*. [Online]. Available from: https://www.youtube.com/watch?v=N1sHclAaLCY&ab_channel=WoohooInc [Accessed: 9 August 2021].

Worthy, J.C. (1950) Organizational Structure and Employe Morale. *American Sociological Review*. [Online] 15 (2), 169–179. Available from: doi:10.2307/2086780.

9 Appendix

9.1 Interview guide

Opening questions

- Could you give a short, 30 seconds, presentation about yourself?
- Do you have any educational background?
- For how long have you worked at the company?
- What are your main work tasks?
- Did the flat organization structure affect your decision to apply for your job?
-

Questions related to how the organizations functions

- How are wages set at Menlo Innovations?
- Could you explain how your unique “extreme interviews” works?
- We saw on your website that you mostly work in pairs.
    - Who sets up these pairs?
    - What happens if you aren’t comfortable with your working partner?
- Who sets up goals in the organization?
    - Who sets up the strategic long-term goals?
    - Who sets up the more local short-terms goals?

Questions related to decision-making

- When faced with a new problem, who takes the initiative to make the necessary decisions?
- In the absence of major formal hierarchies, have you experienced significant informal hierarchies instead?
    - Does employees’ influence on decision-making increase if they have some kind of informal status in the workplace?
- Since there are no task assignments from above, what mechanisms are used to distribute tasks between employees?
    - I assume that there are less desirable tasks that need to be done, as in any other company. What factors decide who does what?
    - When choosing your tasks (if you choose them yourself), do you tend to select tasks you are more confident in being able to complete?
- Do you feel pressured by your colleagues (or the company) to make certain decisions?

    - In your decision making process, do you follow your own rational thoughts and weigh different options against each other, or do you follow a standardized framework with different rules and norms?
    - Is there any “safe-check” that controls so there aren’t any bad decisions made?

Questions related to self-leadership

- Do you like to seek help from colleges, or other sources, when facing a problem, or do you prefer to complete your individual tasks by yourself?
    - If yes, who?
    - Are you encouraged by anyone in your organization to either use others for help, or not to, when completing your individual tasks?
- Do you perceive yourself as confident when making decisions and completing tasks?
    - *(If the interviewee previously has worked in more hierarchical structure)*: Can you compare your confidence at your current workplace with your confidence in previous workplaces?

Questions related to group dynamics

- Have you noticed any social groups in the organization? In other words do you feel more belonging to one group of people compared to others?
    - If you do, is there any informal hierarchy between the groups and does this informal hierarchy have the power to influence decision-making?
- Do you feel like any employee has an informal power over the other employees in regard to their decision-making?

Other questions

- What incentives do you personally have to be effective and productive in absence of control by managers?
- When you make an important decision, do you have the task’s goals in mind? Do you know what these goals are?
    - *(based on the previous answer)* does the decisions lead to a greater clarity?
- How are conflicts solved in absence of hierarchies?

    - If a coworker doesn't follow the norms and habits in the organization, how does the other react to this deviant behavior?
- How can one employee influence the work environment and the development of the company?
- Do you think that your voice is being heard at Menlo Innovations?
- Is there any situation where you think the company would have gained from having more formal leadership?
- Have you been surprised by any phenomena in your workplace since you joined, regarding the effects of the flat structure?
- In your subjective view, do you think that the flat structure affects employees' work satisfaction? How and why?
- If anyone in your organization would have any power over the company, it seems like it would be CEO and founder Rich Sheridan. Have you experienced any formal or informal practices of them, in which they take the role as a manager?

UNIVERSITY
OF BORÅS

Visiting address: Allégatan 1 · Postal address: 501 90 Borås · Phone: 033-435 40 00 · E-mail: registrator@hb.se · Webb: www.hb.se