

Decentralized Governance in Wealth Management: Empowering Institutions through an Innovative Management Model

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Master's thesis
2023



Tomas Bata University in Zlín
Faculty of Management and Economics

Univerzita Tomáše Bati ve Zlíně
Fakulta managementu a ekonomiky
Ústav podnikové ekonomiky

Akademický rok: 2022/2023

ZADÁNÍ DIPLOMOVÉ PRÁCE

(projektu, uměleckého díla, uměleckého výkonu)

Jméno a příjmení: **Maheswaran Ramu**
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Studijní program: **N0413A050024 Business Administration and Entrepreneurship**
Forma studia: **Prezenční**
Téma práce: **Decentralized Governance in Wealth Management: Empowering Institutions through an Innovative Management Model**

Zásady pro vypracování

Introduction

Define the objective and the application methods used in the master thesis.

I. Theoretical part

- Prepare a literature review on Management, Leadership, and Decentralization.

II. Practical part

- Analyze relevant decentralized governance models in wealth management.
- Develop an innovation project proposal for the wealth management industry.
- Perform cost and risk evaluation for the proposed project, considering financial implications and potential risks involved.

Conclusion

Rozsah diplomové práce: **cca 70 stran**
Forma zpracování diplomové práce: **tištěná/elektronická**
Jazyk zpracování: **Angličtina**

Seznam doporučené literatury:

DUBRIN, A. J. *Essentials of Management*. Ninth ed., 2012, 727 p. ISBN 13: 978-0-538-47823-6.
FAGUET, J. P. and C. PÖSCHL. *Is Decentralization Good For Development? Perspectives from Academics and Policy Makers*. 1st ed., Oxford University Press, 2015, 352 p. ISBN: 978-0-19-873750-6.
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WILDERER, P. A. and M. GRAMBOW. *Global Stability through Decentralization?* 1st ed., Springer International Publishing, 2016, 227 p. ISBN 978-3-319-24356-6.

Vedoucí diplomové práce: **Ing. Karel Slinták, Ph.D.**
Ústav podnikové ekonomiky

Datum zadání diplomové práce: **30. června 2023**
Termín odevzdání diplomové práce: **4. srpna 2023**



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Ve Zlíně dne 30. června 2023

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Abstract:

The fast-paced and constantly evolving world of wealth management demands a management model that is flexible, innovative, and agile. This study explores the effectiveness of a decentralized management model for wealth management companies. Traditional top-down management models may not be well-suited to the dynamic and evolving nature of the wealth management industry. The study draws on a literature review and seeks to gather qualitative data from various wealth management firms that have implemented a decentralized management model. The study finds that a decentralized approach can promote flexibility, innovation, and accountability among team members, leading to improved performance and client satisfaction. However, challenges exist, such as the need for clear communication, shared goals and metrics, and continuous learning. The study concludes by providing recommendations for implementing a decentralized management model in a wealth management company, including aligning it with the organization's goals and values, empowering teams, and fostering a culture of continuous improvement.

Keywords: Decentralization, Management, Sociocracy, Leadership, Decision Making, Dynamic Governance, Top-Down Hierarchy, Bottom-Up Approach.

Abstrakt:

Rychle se rozvíjející a neustále se měnící svět správy majetku vyžaduje manažerský model, který je flexibilní, inovativní a agilní. Tato studie zkoumá účinnost decentralizovaného manažerského modelu pro společnosti zabývající se správou majetku. Tradiční hierarchické manažerské modely nemusí být vhodné pro dynamickou a se rozvíjející povahu odvětví správy majetku. Studie se opírá o přehled literatury a snaží se získat kvalitativní data z různých společností zabývajících se správou majetku, které zavedly decentralizovaný manažerský model. Studie zjišťuje, že decentralizovaný přístup může podporovat flexibilitu, inovaci a odpovědnost mezi členy týmu, což vede ke zlepšení výkonnosti a spokojenosti klientů. Nicméně existují výzvy, jako je potřeba jasné komunikace, sdílených cílů a metrik a neustálého učení. Studie končí doporučeními pro zavedení decentralizovaného manažerského modelu ve společnosti zabývajících se správou majetku, včetně jeho zarovnání s cíli a hodnotami organizace, posilování týmů a podpora kultury neustálého zlepšování.

Klíčová slova: decentralizace, řízení, sociokracie, vedení, rozhodování, dynamické řízení, hierarchie shora dolů, přístup zdola nahoru.

ACKNOWLEDGMENTS

I would like to express my deepest gratitude to the Head of the Department of Business Administration at Tomas Bata University, and my supervisor Ing. Karel Slinták, Ph.D., for their guidance and support throughout my academic journey. Without their invaluable insights and expertise, I would not have been able to complete my coursework and research.

I would also like to thank the faculty members of the Business Administration & Entrepreneurship program at Tomas Bata University for their administrative support, which helped me acquire knowledge in areas related to my research.

Finally, I would like to extend my gratitude to the staffs of the wealth management company for providing all the necessary support to complete this project. Their unwavering commitment to excellence and professionalism has been an inspiration to me.

Thank you all for your contributions and support towards my academic and professional development.

I hereby declare that the print version of my Bachelor's/Master's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical

Sincerely,

Maheswaran Ramu

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INTRODUCTION

The growing demand for wealth management services has resulted in the emergence of wealth management firms globally. These firms play a crucial role in providing financial planning, investment management, and advisory services to individuals and businesses. However, the traditional management models employed by many wealth management firms are centralized and hierarchical, which can lead to inefficiencies, limited innovation, and challenges in scaling operations.

To overcome these limitations, a decentralized management model for wealth management companies can be implemented. Research suggests that a significant portion of future urbanization will occur in a predominantly decentralized manner (Wilderer and Grambow, 2016). A decentralized model distributes decision-making power and responsibilities across the organization, enabling greater autonomy, creativity, and collaboration among team members. This approach can also enhance accountability, as team members take ownership of their work and outcomes.

According to Wilderer and Grambow (2016), decision-making in policy making should strive to achieve an optimal balance of effectiveness, efficiency, resilience, and social cohesion across all sectors of society. The authors propose that while highly centralized systems may be suitable in specific cases, decentralized solutions can offer a more favorable alternative in other contexts. Therefore, the objective of this thesis is to develop a decentralized management model for wealth management companies that fosters innovation, efficiency, and scalability, aligning with the recommended optimal balance highlighted by Wilderer and Grambow.

The proposed model will be based on a thorough analysis of the existing literature on management theories and practices, as well as case studies of successful decentralized firms in other industries. The thesis will also examine the challenges and potential drawbacks of a decentralized model and propose strategies for overcoming them.

Overall, this thesis aims to contribute to the expanding knowledge base on management models for wealth management companies and offer practical insights for firms considering the adoption of a decentralized approach to their operations. By embracing a decentralized model, wealth management companies can enhance their ability to adapt to evolving market demands, attract and retain top talent, and achieve sustainable growth in the dynamic landscape of the wealth management industry.

OBJECTIVES AND METHODS OF MASTER THESIS PROCESSING**Objectives:**

1. Explore the benefits of a decentralized management model for wealth management companies in terms of innovation, efficiency, and scalability.
2. Analyze the current management model used by the reference wealth management company and identify its limitations.
3. Develop practical recommendations for wealth management companies seeking to adopt a decentralized management model based on the findings from the study.
4. Examine the challenges and potential drawbacks of a decentralized model in the context of wealth management and propose strategies for overcoming them.
5. Provide practical insights for wealth management companies looking to adopt a decentralized management model in their operations.

Methods:

1. Conduct a literature review on management structures, decentralized models, and sociocracy.
2. Gather company information about XYZ, its structure, and current management practices.
3. Administer a survey with key stakeholders such as managers and employees to gather insights.
4. Analyze survey data to evaluate employee perceptions and identify strengths and limitations.
5. Propose potential improvements tailored to the transfers team, incorporating elements of sociocracy and decentralized decision-making, addressing their unique needs.
6. Provide actionable recommendations for implementing the proposed changes.
7. Summarize research findings and emphasize the benefits of a decentralized management approach.

I. THEORY

1 LITERATURE REVIEW: MANAGEMENT

DuBrin (2012) defines management as the process of utilizing organizational resources to accomplish organizational goals through planning, organizing, staffing, leading, and controlling functions. The manager's role encompasses setting objectives, arranging resources such as human and material, motivating individuals to achieve the objectives, and monitoring progress to guarantee goal attainment.

Henri Fayol, a French engineer and executive who won the Nobel Prize, identified five fundamental managerial functions, namely planning, coordinating, organizing, commanding, and controlling. Fayol's managerial functions continue to be used as a model for evaluating the efficiency and effectiveness of entrepreneurs and owner-managers in the literature on small businesses. However, studies examining the relationship between planning, organizing, and controlling variables and organizational performance have produced inconsistent results in general (Merz and Sauber, 1995).

Planning is the process of setting goals, objectives, and strategies for an organization. It involves analyzing the current situation, identifying opportunities and threats, and developing plans to achieve the desired results. The planning function is critical because it provides a roadmap for the organization to achieve its goals. According to Luthans and Davis (2017), planning is the most fundamental and important of all management functions.

1.1 Managerial Functions

Figure 1 shows the four major resources in the context of the management process. According to DuBrin (2012), managers rely on four major resources to attain organizational objectives, namely human, financial, physical, and informational resources. To effectively utilize these resources, managers perform the four essential managerial functions, namely planning, organizing and staffing, leading, and controlling.

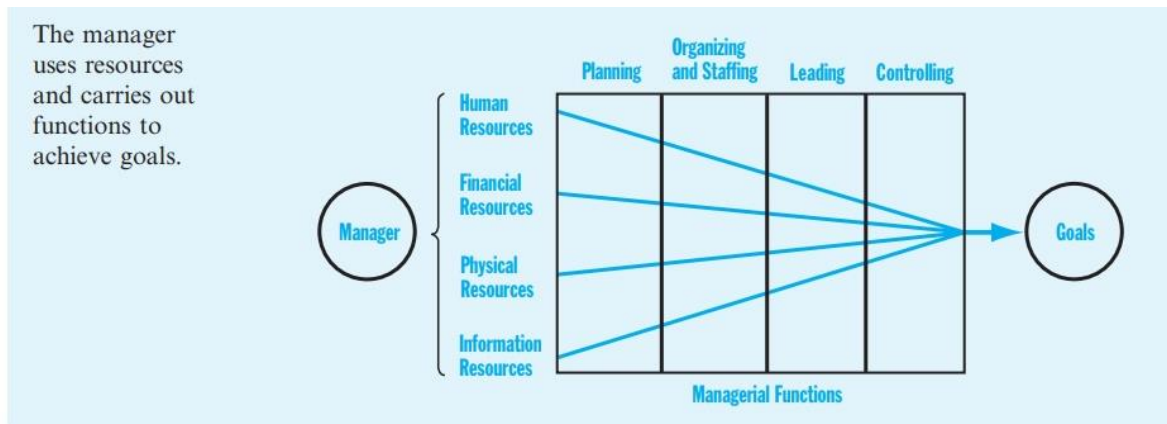


Figure 1 Management Functions and Resources (DuBrin, 2012)

To summarize, the four managerial functions and four major resources are critical to the success of any organization. Understanding these concepts is essential for managers to effectively manage their organizations and achieve success. Fayol emphasized the importance of planning, organizing, commanding, coordinating, and controlling in the proper functioning of any undertaking. He also highlighted the responsibility of the organization to carry out managerial duties. It is important to note that Fayol was referring to management or administration in general, rather than the behavior of individual managers. Therefore, it can be argued that studies on managerial work support the traditional view of managerial work, rather than contradicting it.

1.2 Differences in Managerial Work

Previous research on managerial work has focused on describing what it entails. Kotter (1982) proposed that several factors may contribute to variations in managerial work, such as company size. Small businesses, particularly those with a growth-oriented focus, are expected to have distinct managerial work characteristics compared to larger organizations due to two theoretical reasons. Firstly, smaller organizations generally involve greater interpersonal contact and informal communication patterns. This is because smaller businesses are believed to have fewer formal organizational supports, systems, processes, and procedures compared to larger businesses (Churchill and Lewis, 1983). Therefore, it is anticipated that the owner-manager's daily managerial activities will display more informality, as reflected in the nature of their

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communication activities. Secondly, differences in managerial work may arise due to the central role of the entrepreneur/owner-manager in small businesses (Miller, 1986).

In summary, Miller (1986) argues that the centrality of the entrepreneur or owner-manager in businesses can create both advantages and challenges for these organizations. It is important for business owners to recognize these differences and develop strategies to address them in order to ensure the long-term success and sustainability of their organizations.

1.3 Levels of Management

The nature of a manager's job and the various levels of management within an organization have been a topic of interest for researchers in the field of management. The organizational levels, consisting of top-level managers, middle-level managers, first-level managers, and individual contributors, have been identified as key components in understanding the nature of a manager's job (DuBrin, 2012).

To comprehend the three levels of management, an effective approach is to analyze the pyramid structure, as depicted in Figure 2, which displays a decrease in the number of employees at each successive managerial level. The lowest organizational level, where no managers are present, has the highest number of individuals. This structure highlights the importance of management roles in organizations, as managers are responsible for overseeing the work of employees at lower organizational levels (DuBrin, 2012).

Research has also explored the different roles and responsibilities of managers at different levels of management. Top-level managers are responsible for making strategic decisions, while middle-level managers focus on implementing those decisions and overseeing the work of first-level managers. First-level managers are responsible for overseeing the work of individual contributors, and individual contributors are responsible for carrying out specific tasks within the organization (DuBrin, 2012).

Understanding the nature of a manager's role and the different levels of management in an organization is crucial to comprehend the organization's functioning and the role of managers. As shown in the figure, the pyramid depicts a decreasing number of employees at each higher managerial level.

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The rigidity of the managerial hierarchy can make it difficult for organizations to respond to external pressures or changing market conditions. Inefficient processes or outdated policies may be difficult to change due to entrenched power dynamics and resistance to change from higher-level managers.

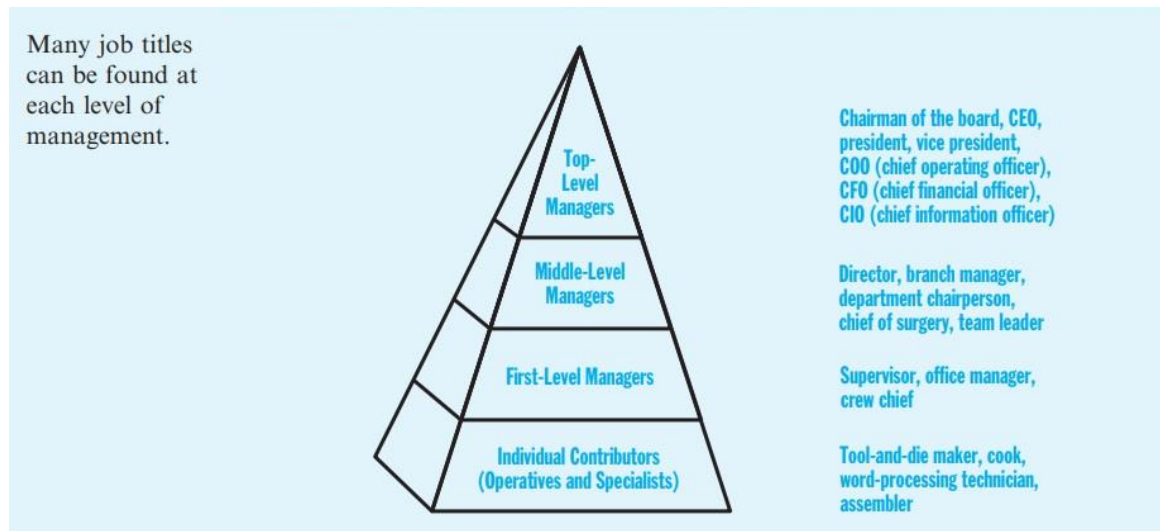


Figure 2 Managerial Levels (DuBrin, 2012)

2 TYPES OF ORGANIZATION STRUCTURE

Organization structure is a fundamental aspect that defines how tasks, roles, and responsibilities are distributed within a company. Different types of organization structures exist, each with its own advantages and disadvantages. Understanding these structures can help organizations tailor their management approach to best suit their needs and goals.

Functional Organization Structure: In a functional structure, employees are grouped based on their specialized functions or expertise, such as marketing, finance, or operations. This type of structure promotes efficiency and expertise within departments (Robbins & Coulter, 2019).

Divisional Organization Structure: Divisional structure groups employees based on the products, services, or geographical areas they focus on. Each division operates as a separate unit with its own functional departments, allowing for better focus and accountability (Robbins & Coulter, 2019).

Matrix Organization Structure: A matrix structure combines both functional and divisional aspects. Employees report to both functional managers and project or

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divisional managers, promoting flexibility and resource sharing across different projects (Robbins & Coulter, 2019).

Flat Organization Structure: A flat structure minimizes hierarchical levels and promotes a decentralized decision-making process, enabling quicker responses to market changes and fostering employee empowerment (Katou & Budhwar, 2006).

These different organization structures offer unique ways to manage and organize workforces, allowing companies to select the most suitable model based on their specific needs and context.

3 LIMITATIONS OF TOP-DOWN HIERARCHICAL ORGANIZATIONAL STRUCTURES

There is considerable literature that highlights the limitations and drawbacks of traditional hierarchical organizational structures that are based on the three levels of management outlined in DuBrin (2012). One critique of this approach is that it can lead to inefficiencies and inflexibility in decision-making processes. For example, Jaques (1998) argues that the hierarchical structure of organizations can create "bottlenecks" in communication and decision-making, as information and decisions must pass through multiple levels of management before being implemented. This can lead to delays, reduced innovation, and a lack of responsiveness to changes in the external environment.

Furthermore, research has shown that traditional hierarchical structures can be demotivating for employees and limit their potential for personal growth and development. For example, Ryan and Deci (2000) argue that the top-down nature of hierarchical structures can stifle employees' sense of autonomy and competence, leading to reduced motivation and engagement.

In response to these critiques, there has been growing interest in alternative organizational structures that are designed to be more flexible, decentralized, and employee-centered. For example, sociocracy is a participatory governance approach that aims to distribute power and decision-making across all levels of the organization (Voogd, 2016). Similarly, holacracy is a management approach that is based on self-organizing teams and distributed decision-making (Robertson, 2015).

Overall, while the traditional hierarchical structure outlined in DuBrin (2012) has been widely used in organizations, it is important for researchers and practitioners to recognize its

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limitations and explore alternative approaches that may be more effective and efficient in today's dynamic and complex business environment.

4 MANAGERIAL WORK: EFFICIENCY AND EFFECTIVENESS

Martinko and Gardner (1985) suggest that previous studies on managerial work have focused on describing the activities performed by managers without developing an underlying theory or model to organize their observations. This lack of structure in observational systems may result in incomplete or inaccurate descriptions of managerial work. Additionally, O’Gorman et al. (2005) argue that prior studies on managerial work have neglected to consider the effectiveness of managerial activities, i.e., the relationship between what managers do and the outcomes they achieve. This omission could limit our understanding of the impact of managerial activities on organizational performance. Therefore, future studies on managerial work should aim to develop a theoretical framework and examine the effectiveness of managerial activities. This would allow for a more comprehensive understanding of the role of managers in organizations and how they contribute to their success.

In addition to the limitations mentioned earlier, another limitation of studies of managerial work is the failure among researchers to consider the inherent variability in managerial behaviour in different environments. For example, the behaviours and practices of managers in a manufacturing plant may be significantly different from those in a hospital or a software company. Furthermore, managers' behaviour may also vary depending on the cultural and societal context in which they operate. Therefore, it is crucial for researchers to consider the situational factors that influence managerial behaviour in different contexts to gain a more comprehensive understanding of what managers do and how they can be effective in their roles. The study of managerial work grew out of a sense of dissatisfaction with the manner in which managerial work was being presented in the literature in terms of the functions that managers perform (O’Gorman et al., 2005).

5 ORGANIZATIONAL BEHAVIOUR & MANAGEMENT CHALLENGES

According to Luthans (2011), although the field of organizational behavior has been established for around 50 years, managers have been facing problems since the beginning of

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human civilization. While the fundamental problems and solutions for human organizations have remained relatively consistent, the emphasis and environmental context have changed over time. For example, in the 1980s and mid-1990s, managers focused on restructuring their organizations to increase productivity and competitiveness in the global market. However, in the long term, most organizations failed to make significant changes to adapt to the evolving environment, instead continuing with familiar practices.

During a period where top management compensation was primarily linked to stock options, risky mergers and acquisitions were commonplace, and a highly regulated and competitive environment prevailed. The 2008 financial crisis and stock market crash were the result of various social, economic, and geopolitical factors, including these high-risk practices. Despite the crisis, little attention has been paid to the employees who remain after mass layoffs and downsizing. Luthans, a renowned expert in corporate psychology, emphasized that employees now feel undervalued and disengaged from their work due to years of being treated as expendable assets rather than valuable resources. This has left many employees feeling vulnerable and uncertain about their future..

Luthans suggests that the current turbulence in the corporate environment presents an opportunity for organizations to address the challenges associated with managing human resources. He proposes that this can be achieved by embracing a paradigm shift, which entails a new way of thinking and managing human resources in response to the drastically altered workplace environment. This shift involves more than just keeping up with incremental changes; it requires a fundamental change in how organizations approach human resource management (Luthans, 2011).

6 LEADERSHIP: A BEHAVIOURAL APPROACH

Over time, three widely accepted assumptions have been made about leadership theory and research. These assumptions are that: (a) that readily identifiable leadership events exist in empirical reality; (b) leadership plays a significant role in both human and organizational effectiveness; and (c) theory and research are necessary to explain and predict the impact of leadership (Davis and Luthans, 1979). The concept of leadership has been recognized as important since ancient times, and it remains a popular construct in organizational and management theories. However, some of the value assumptions and normative assertions associated with leadership have been questioned. While no direct correlation between leadership and improved organizational effectiveness has been consistently demonstrated,

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leadership remains one of the most extensively researched social influence variables. (Davis and Luthans, 1979)

Pondy (1976) raises a crucial question regarding leadership, whether the single term in our language misleads us into thinking that it represents a uniform reality. Calder (1977) also argues that the concept of leadership has taken on a broader meaning over time, making it difficult to distinguish from other general models of behavior. While many researchers agree that leadership involves the exercise of influence, there is a wide range of interpretations on what this influence entails and how it is achieved. The primary challenge is that leadership is not directly observed, but instead perceived and conferred based on the outcomes achieved. Thus, the terms leadership and influence describe behavior after the fact.

Both Pondy (1976) and Calder (1977) highlight the significance of language and attribution in the understanding of leadership behavior. Language enables humans to comprehend and derive significance from observable events and accurately represent empirical reality, but it can also lead to an inaccurate portrayal of events. The use of constructs that label behavior based on assumed effects can often ascribe meaning and inference beyond the empirical referents, leading to a distorted understanding of leadership. Therefore, it is important to be mindful of the limitations of language and attribution when studying leadership behavior.

The Study of Leadership at this juncture, it is worth questioning whether studying the notion of leadership holds any significance. Miner (1975) argues that the concept of leadership has become obsolete, while Kerr (1976) suggests an alternative classification that includes other forms of influence and control beyond those derived from formal hierarchy. The core issue is whether distinguishing hierarchical control or any other systems of control, is: can what is referred to as leadership?

6.1 Operationalizing a Behavioural View of Leadership

Davis and Luthans (1979) proposed a behavioral leadership model based on operant psychology principles. The model views leadership as a set of contingency relationships between leaders and followers, which are linked to specific goals and task functions. This model can be used to examine the effects of leader behavior on subordinate task accomplishment in an organization. However, it is important to note that supervisor-subordinate behavior is just one example of leader relations that can impact task accomplishment, and horizontal relationships with coworkers can also be considered.

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Additionally, the terms "supervisor" and "leader" can be interchangeable and subject to questioning.

According to Davis and Luthans (1979), a leader's behavior in horizontal relations can act as a cue for a subordinate's task behavior, which can have consequences for both the leader and the subordinate. The consequences may relate to the leader's subsequent behavior, the work itself and its outcomes, or other organization members. The leader does not directly cause the subordinate's behavior but instead sets the occasion for the behavior to occur. The behavior itself is determined by its consequences.

Davis and Luthans (1979) proposed a dynamic view of the relationship between a leader and a subordinate, in which their behavior and consequences continuously interact and modify each other. They argued that the leader and subordinate can jointly reinforce or modify each other's behavior, but modifications can also occur through independent behaviors towards the task or other members of the organization. In this way, the leader-subordinate relationship is seen as an ongoing process of behavior and consequence modification rather than a static, one-way influence.

6.2 Dynamic Leadership Model

“Leadership is conceived as a set of behavioral contingency relationships that constantly need to be reassessed rather than a uniform, developmental Gestalt” (Davis and Luthans, 1979). According to authors, leadership should be understood as a set of specific behavioral relationships that evolve over time between a leader and a subordinate. These relationships are not static but instead are constantly changing and need to be reassessed. The process of leadership can only be understood by analyzing each specific situation and its reinforcing consequences. It is not a uniform, developmental process but rather a series of discrete events that must be examined independently. In other words, leadership is not a one-size-fits-all concept, but rather a complex set of dynamic interactions that require careful analysis and understanding of specific behavioral contingencies.

The effectiveness of the behavioral model of leadership depends on its ability to acknowledge the ever-changing nature of the organizational setting and consider the influence of both macro and micro environmental factors on the relationship between leaders and subordinates. Pfeffer (1977) has observed that the leader's behavior may be influenced, either entirely or partly, by situational events at the macro level. Osborn and Hunt (1975) have proposed an "adaptive reactive" leadership model that accounts for this idea. According to the behavioral model put

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forth in this article, analyzing behavioral events requires consideration not only of the interactions between leaders and subordinates, but also of the wider macro-level constraints that affect their behavior.

The impact of macro variables on the leader-subordinate relationship has not been widely acknowledged. Factors such as organizational size, technology type, and formal structure level may affect the behavior of the leader and the outcomes of the subordinate. Moreover, the type of task, its relationship to the main processes within the organization, and the level of reliance on other work units are likely to have an impact on the interaction between the leader and the subordinate.

7 HUMAN BEHAVIOUR IN CHALLENGING TOP-DOWN APPROACHES

Martin Korndorfer argues that one of the root causes of the problems faced by modern society is the lack of negative feedback in the system. He believes that this is largely due to a centralized approach to human activities and the breakdown of feedback loops between natural and anthropogenic systems, as well as within anthropogenic systems. This is in line with the views of Wilderer and Grambow (2016), who emphasize the importance of feedback in ensuring the sustainability of human activities and the environment. Without adequate feedback loops, it becomes difficult to identify and correct problems, leading to the persistence and amplification of negative impacts on the environment and society as a whole.

The article by Mosse (2004) highlights that successful implementation of policies requires policies to be both technically sound and socially feasible. However, the author notes that top-down planning often fails to take into account local realities and contexts, leading to misfits between the policy and the actual situation on the ground. “Top-down planning's misreading of society, and its consequent misfits with local realities, are by now a standard critique of

development interventions" (Mosse, 2004, p. 644). Figure 3 & 4 portrays the fact that how top down model is misleading in reality

Figure 3 Hierarchy – Ideal (Bockelbrink and Priest, 2015)

Hierarchy - ideal ... and reality

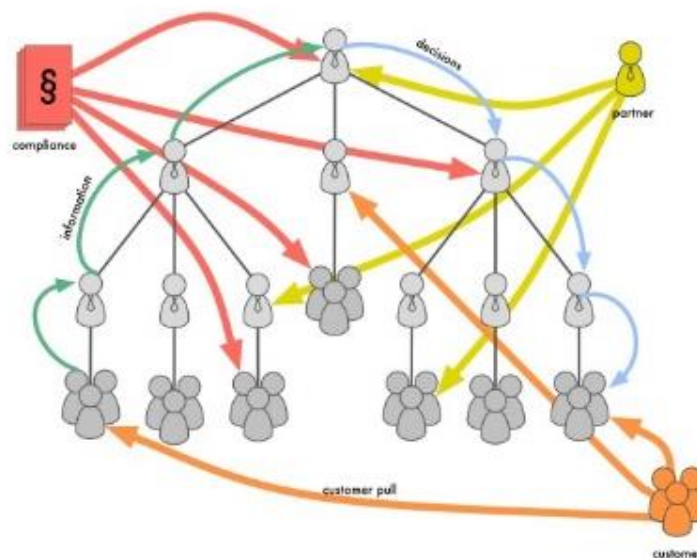


Figure 4 Hierarchy - Reality (Bockelbrink and Priest, 2015)

Dunbar (1992) proposed that our cognitive ability restricts the number of relationships an individual can effectively monitor at once. He estimated that this number is around 150 for an entire social circle, and between 5 to 20 for optimal co-workers to consult before performing organizational tasks. However, it is not necessary for every member of an organization to consult with all others before making decisions.

As organizations grow, the potential number of consultation channels among members increases with the square of membership size. In an IT organization, with more team members with multiple channels of tasks, coordination and decision making will become intractable if decision making authority is not distributed (Vergne, 2020).

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Concurrently, as management and organizational scholars, we must review and adapt our models of reality (Cornelissen, 2019). By reviewing and adapting our models of reality, we can ensure that our understanding of management and organizations is up-to-date and accurate. This, in turn, can help us develop more effective strategies and approaches for managing businesses and organizations. By embracing a decentralized approach, management and organizations can develop more effective models of reality that are better suited to the complex and rapidly changing business environment of today.

8 NEW PRESPECTIVE FOR MANAGEMENT

The traditional management approaches have been based on assumptions labeled as Theory X by Douglas McGregor, 1960. These assumptions include the belief that employees are inherently lazy and only motivated by money. The implication is that if employees are happy, they will perform at a high level. This viewpoint led to management strategies that focused on monetary incentives, job security, and good working conditions to maintain morale and performance. Human resource managers were tasked with implementing these strategies, with support from human relations experts, industrial organizational psychologists, and industrial engineers.

Unfortunately, this approach no longer works with the current environmental demands. While factors such as pay, job security, and working conditions are important, they alone are not enough to address the complex challenges of modern human resource management. The Economist has reported that knowledge workers, who are seen as key to creating future wealth, thrive under Theory Y, which emphasizes empowerment and self-direction. In contrast, Theory X is becoming obsolete.

According to Luthans (2011), the traditional approach to studying human behavior at work is flawed because it oversimplifies the complexity and diversity of human behavior in the workplace. This approach, which focuses on economic security and working conditions, fails to take into account a variety of other factors that influence employee behavior, including individual differences, group dynamics, organizational culture, and leadership style. Luthans argues that a more comprehensive approach is needed to fully understand and effectively manage human behavior in the workplace.

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According to Jeff Pfeffer, a Stanford professor, only about 25% of organizations fully implement high-performance work practices (HPWPs) derived from organizational behavior theory and research. These HPWPs include self-managed teams, 360-degree feedback systems, behavioral management, and investing in psychological capital (Pfeffer, 2007). This paves the way for power distribution and decision-making authority as a new perspective in management.

8.1 Power Balance and People Coordination in Modern Management

Modern management requires a delicate balance between power distribution and coordination. Distribution of power and decision-making authority is a crucial aspect of modern management, and it has been widely researched in organizational studies. Scholars have argued that a flatter organizational structure and more democratic decision-making processes can lead to increased employee empowerment, satisfaction, and creativity (Spreitzer & Sonenshein, 2004). Moreover, such structures can also promote greater accountability and transparency, as well as more effective communication and collaboration (Briggs & Peat, 1999).

However, some scholars have cautioned that decentralization and power distribution must be balanced with effective coordination and leadership to prevent confusion and inefficiencies (Cohen & Bailey, 1997). They suggest that a more networked organizational structure, in which teams have a high degree of autonomy but are still interconnected and coordinated by a central leadership team, may be a more effective approach.

Overall, the literature suggests that distribution of power and decision-making authority is a complex and multifaceted issue in management, with potential benefits and drawbacks depending on the specific context and implementation. It is important for organizations to carefully consider the trade-offs and design structures and processes that balance autonomy and coordination to achieve optimal outcomes.

8.2 Distribution of Power & Decision Making

In modern management, the distribution of power and decision-making authority has been a topic of much discussion and debate. As organizations grow and become more complex, it becomes increasingly important to delegate decision-making down the hierarchy to avoid bottlenecks and inefficiencies. However, this also raises questions about how to maintain coordination and ensure that decisions are made in the best interests of the organization as a

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whole. In this context, trust plays a crucial role in enabling distributed managerial hierarchies to function effectively. By distributing decision-making authority across several individuals, organizations can ensure that the burden of responsibility is shared and that decisions are made by those with the most relevant expertise and knowledge. This approach has been studied extensively in organizational studies, with scholars highlighting the benefits of flatter organizational structures and more democratic decision-making processes. As decision-making is delegated down the hierarchy, trust is dispersed among multiple decision-makers. This distribution of trust allows organizations to expand their product lines and geographic reach while still maintaining manageable complexity. This concept of distributed managerial hierarchies was first introduced by Chandler (1962) and further developed by Mintzberg (1979) and Puranam (2018).

Understanding power dynamics and finding ways to create more democratic decision-making processes are crucial for organizations to achieve optimal outcomes. As Gaventa (2006) suggests, power analysis can help identify spaces of change where power can be redistributed to promote greater accountability, transparency, and collaboration. By incorporating power analysis into management practices, organizations can create more equitable and sustainable structures that benefit both the organization and its stakeholders. "The practice of power analysis and the search for spaces of change are increasingly seen as integral to the analysis and practice of development, social change, and governance" (Gaventa, 2006, p. 23).

The practice of power analysis and the search for spaces of change can aid in identifying and addressing power imbalances that may hinder effective decision-making and hinder progress. "A bottom-up approach to decentralization would seek to reconfigure power relations so that citizens and communities can exercise more control over their own lives and over the decisions that affect them." (Gaventa, 2006, p. 27). As organizations grow and become more complex, distributed hierarchies can help manage complexity while maintaining trust and accountability among decision-makers.

8.3 Decentralization and the Changing Landscape of Management Studies

As organizational decision-making becomes more distributed and decentralized, new opportunities may emerge for working in non-traditional management roles. This trend may challenge the traditional role of business schools, which have been closely tied to the growth of centralized managerial positions. Business schools will need to reconsider their curriculum to adapt to this changing landscape or risk losing ground to competition from science and

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engineering faculties, as well as private corporations. As an indication of this trend, several large corporations such as Apple Inc., EY, and Google LLC have already launched their own university-like education programs. (Vergne, 2020).

Decentralization has become an increasingly popular concept in the realm of governance and development. Rather than having decisions made by a few individuals or a centralized authority, decentralization involves the distribution of power and decision-making to lower levels of government or other institutions. This shift towards decentralization is in contrast to earlier approaches, which were often characterized by top-down, state-centric decision-making processes. "In contrast to the top-down, state-centric approaches to development that dominated earlier decades, decentralization became the new mantra." (Gaventa, 2006, p. 24)

9 DECENTRALIZATION

9.1 Definition

The Chamber Dictionary of 21st Century defined the term 'decentralisation' as 'the process of transferring the functions from the central governments to the local units'.

US Agency for International Development (2000) has defined decentralisation as "a process of transferring power to popularly elected local governments. Transferring power means providing local governments with greater political authority, increased financial resources, and/or more administrative responsibilities".

Jean-Paul Faguet (2012) defines decentralisation as the devolution by central (i.e. national) government of specific function, with all of the administrative, political and economic attributes that these entail, to democratic local (i.e. Municipal) governments which are independent of the centre within a legally delimited geographic and functional domain.

Perhaps the best general definition of decentralisation is by Rondinelli and Cheema (1983). They define decentralisation as, "the transfer of planning, decision-making, or administrative authority from the central government to its field organizations, local administrative units, semi-autonomous and parastatal organization, local governments and non-governmental organizations".

Broadly speaking, the term decentralisation refers to a process of gradual devolution or transfer of functions, resources and decision-making powers to the lower level democratically (Crook and Manor 1998).

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The search for sustainable development and good governance has triggered broad processes of institutional innovation aimed at increasing efficiency and equity. These processes have contributed the spread of notion of decentralisation around the world especially among the third world countries. As a result, a strong body of scholarly literature has emerged analysing different aspects of decentralisation and its impact on governance and development (Chhetri, Durga P, 2012).

9.2 Evolution of Decentralization

The concept of decentralization gained renewed interest during the Enlightenment era, where it was seen as a means of limiting the power of monarchies and promoting greater democracy.

In the 20th century, many countries around the world turned to decentralization as a way to improve governance, service delivery, and citizen participation. The idea was that by delegating power and decision-making to local authorities, communities would be better able to respond to their unique needs and challenges. Decentralization took on many forms, ranging from devolution of power to regional or local governments, to the creation of semi-autonomous agencies or institutions. It was implemented in both developed and developing countries, with the goal of improving public sector efficiency and accountability.

Today, decentralization remains a popular topic in discussions on governance and organizational management. Many scholars and practitioners continue to debate the merits and challenges of decentralization, including issues related to power sharing, coordination, and accountability. Despite these debates, decentralization remains a key strategy for improving public sector performance and citizen engagement in many parts of the world.

9.3 Entry of Decentralization in Organizational Management

In the 1960s, engineer Paul Baran conducted a series of studies on communications networks, in which he distinguished between decentralization and centralization as two opposing ends of a spectrum, with decentralization existing as a "fuzzy" middle ground (Baran, 1964).

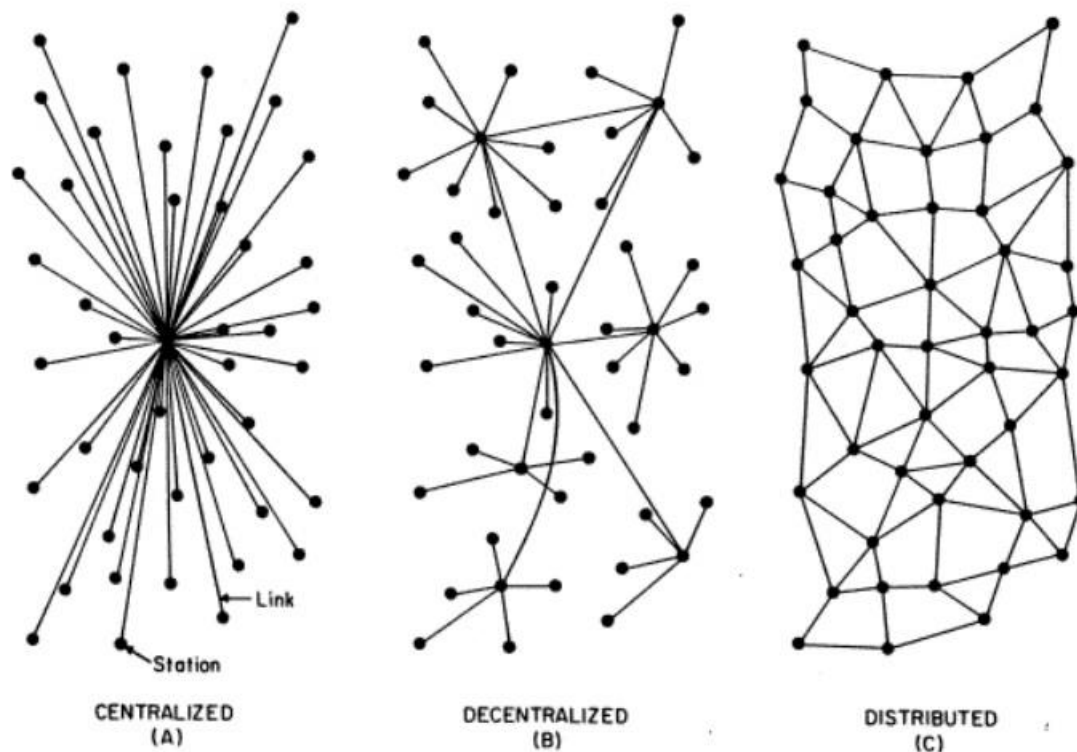


Figure 5 Baran's typology of communication networks. (Baran, 1964)

While Baran's framework of distribution and decentralization may have been useful for understanding communication networks (see Figure 5), a more nuanced view is necessary for understanding decision-making in complex organizations. Decision-making in large organizations is a complex process that involves multiple systems and individuals, and no single member has the time or cognitive resources to consult with every other member. In fact, such widespread consultation may lead to decision paralysis. Therefore, a more comprehensive understanding of decision-making in complex organizations is necessary. (Vergne, 2020).

According to Anirban Pal (2008), decentralization attracts extensive coverage in both academic and non-academic literature, and this can be attributed to the confidence donors have in its potential for promoting good governance. Additionally, the World Bank has advocated for greater decentralization (Yusuf & World Bank, 1999).

9.4 Decentralization in Corporate Culture

According to Henderson (2012), Google has a decentralized structure that fosters creativity and innovation. Frick (2014) describes Alibaba's decision-making approach as decentralized, while Glassdoor (2019) notes that Facebook has a highly decentralized organizational structure.

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Decentralization has become a trend associated with corporate agility and innovation, though it has been largely ignored by platform scholars (Cusumano, 2020). However, the author suggests that decentralized-distributed platforms, such as Polkadot and Tezos, may become more prevalent in the future, with no central "owners" (Boudreau, 2010). For instance, MakerDAO operates as a "decentralized autonomous organization" without managers or shareholders (Hsieh et al., 2018).

9.5 Decentralized Approaches

Holacracy and sociocracy are two decentralized management approaches gaining attention, with Zappos being a prominent user of Holacracy. However, an important distinction is that Holacracy is a trademarked and controlled model, while sociocracy is open source, allowing for various adaptations and implementations by different organizations and consultants. This highlights the essence of decentralization, promoting empowered decision-making and flexibility in organizational structures (Wirth and Butterfield, 2021).

While various suggestions exist for team structures and approaches, such as Scrum of Scrums and Communities of Practice, there is little discussion on interconnecting different groups and hierarchy levels. Sociocracy offers principles that complement existing large-scale agile approaches, emphasizing self-organization and supporting agile values at scale. It is not a substitute but a valuable support for agile values and self-organization in large-scale contexts (Jutta Eckstein, 2016).

According to the Agile manifesto, self-organizing teams are best suited to developing architecture and design requirements. These teams are responsible for daily project activities such as planning, work allocation, requirements specification, progress monitoring, and problem-solving. As a result, there is a growing need to shift focus away from traditional top-down approaches towards more decentralized approaches, such as Sociocracy, which emphasize distributed authority and decision-making power (Hoda & Murugesan, 2016; Dingsøyr et al., 2012).

10 SOCIOCRACY

Sociocracy is an agile governance model that emphasizes distributed authority, double-linking feedback, consent decision-making, and continuous improvement. By implementing sociocracy, organizations can improve employee engagement, decision-making, communication, and problem-solving capabilities, resulting in increased organizational

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resilience and adaptability. Sociocracy's goal is to create organizations that are more agile and better suited to a complex and rapidly changing environment. Decision-making in sociocracy is based on consent, meaning that proposals are adopted unless they raise objections that cannot be resolved. The difference between making a decision alone and making a group decision justifies the existence, and explains the structure, of organizations whose members must coordinate their communications to reach common goals (Hirokawa & Poole, 1996).



Figure 6 Sociocracy Organization ("Sociocracy 3.0 Resources")

Sociocracy's governance structure is designed to be deeply participatory, emphasizing continuous feedback and improvement. It has proven to be effective across diverse contexts, including public and private organizations, non-profits, and cooperatives. A model design structure of sociocracy is shown in Figure 6.

10.1 History of Sociocracy Design

Gerard Endenburg created a circular organizational design to promote active participation and learning at the organizational, group, and individual levels. He developed this approach while serving as the CEO of an electrotechnical company "Endenburg Elektrotechnik" in the Netherlands during the early 1970s. Endenburg faced difficulties with the works council in his company, which caused conflict rather than effective consultation. He was inspired by systems theory's circularity concept and consensus decision-making approach from Quaker

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organizations, which led him to experiment with a circular design to promote employee participation and involvement (Endenburg 1998 Romme, 1999).

Experiments were initially conducted internally with managers and employees, later outsiders started participating in the further development of the circular design and its implementation process. Adding a circular structure to a hierarchical structure can increase an organization's ability to learn and make effective decisions at all levels (Romme 1999).

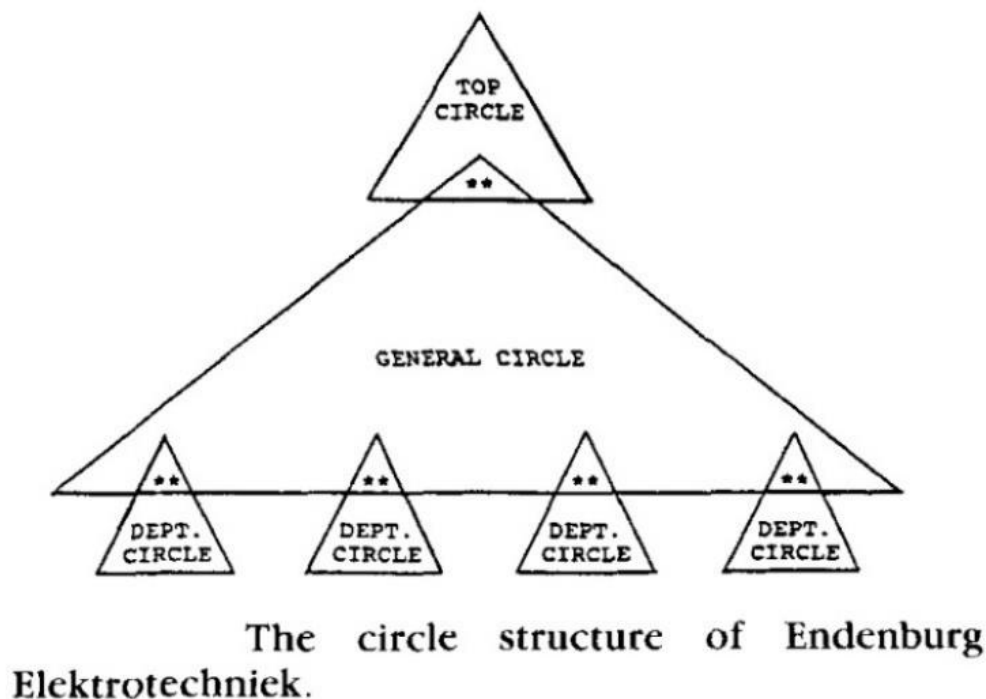


Figure 7 Sociocracy Circle Structure (Buck and Endenburg, 2010)

The design approach consists of specific rules for decision-making and linking decision-making units. These rules are formulated as "to achieve A in situation S, do D," such as the rule of consent which requires decisions to be made only when all participants give consent. (Endenburg, 1998). The circular design developed by Endenburg is shown in Figure 7.

The circular methodology recognizes that organizational problems are often complex and deeply rooted and employs a systems-thinking approach to guide long-term development by setting ideal-target solutions and broader purposes. It prioritizes finding solutions rather than analyzing the current situation in great depth and promotes the participation of all stakeholders involved. While further research is needed, early indications suggest that circular designs are

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effective in producing satisfactory outcomes for a wider range of professionals beyond the original pioneers. (Romme, 2003).

10.2 Sociocracy: The dynamic governance

Sociocracy, also known as dynamic governance, is a governance approach that emphasizes decision-making based on consent rather than majority rule (Tzouvelekas & Theodorakis, 2020). The term was first introduced by August Comte in 1851 and later expanded upon by Lester F. Ward in 1883. Over time, various organizations in different countries have implemented sociocracy and found it to be an effective approach to governance.

Circularity in terms of accountability and authority is a requirement for democratic control. Paradoxically in democratic countries, businesses and organizations are most often managed in a less democratic manner. Organizational models have been designed to mitigate this contradiction. The democratic aspect of governance is applied by the Board of Directors at the highest level of decision-making, while the command and control dimension prevails at the lower level (Tzouvelekas & Theodorakis, 2020).

The model of circular organisation by Ackoff originally developed in order “to operationalize organizational democracy, to increase the readiness, willingness, and ability of organizations to change, and to improve the quality of working life” (Ackoff, 1989, p. 11). Ackoff inserted Boards in circular structure within the organisational structure from top management to low management levels so as every manager had a board with superiors and subordinates in order to implement a circular mode of accountability and responsibility. Ackoff portrays two types of organisational idealized design: bounded and unbounded. With bounded idealized design, the design must fit in the containing organization. As far as the unbounded idealized design is concerned, “the designers are permitted to design changes of any of the containing systems, but only ones that would improve the performance of the organization being designed” (Ackoff, 1999, p. 91). This implies that Sociocracy is a form of dynamic democratic governance.

10.3 Implementing Sociocracy

According to (Endenburg 1998 Romme, 1995)

“The following four ground rules summarize the sociocracy model:

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Consent: In Sociocracy, the main way of making decisions is through consent, which means that a decision is made when no one in the group has a reasoned objection. This process emphasizes the importance of discussion and the sharing of reasons and arguments before a decision is made. However, day-to-day decisions related to policy implementation do not require consent.

Circle: In sociocracy, circles are a key aspect of the organizational structure. Every member of the organization is part of at least one circle, which is a functional work unit. The circle comprises a group of people with a shared work objective, and decision-making is typically based on consent. The circle includes the functional leader, such as a supervisor or manager, and decisions are usually made during scheduled meetings. The circle's decisions should be relevant to the work objectives of the circle and made within the limits of their authority.

Double linking: A mechanism that ensures effective communication and coordination between circles in a larger organization. When circles are arranged hierarchically, each circle is represented in the next higher circle by its functional leader and one or more additional representatives chosen from the circle by consent. This allows for the flow of information and decision-making to occur smoothly and efficiently between different levels of the organization.

Election of persons: A circle selects its own functional leader (supervisor or manager) and other roles required for its operation, by consent after an open discussion. Each member of a circle has the right to propose and be elected to any function or task, as long as they have the required competence.

Romme (1995) suggests that implementing sociocracy does not require a fundamental change in the traditional hierarchical structure of the organization. Rather, the sociocracy circle structure can be superimposed over the existing administrative structure.

10.4 Breaking the Mold: The Sociocratic Approach to Leadership

While traditional hierarchical models of leadership have dominated organizational structures for decades, more decentralized approaches have emerged in recent years. One such model is sociocracy, which emphasizes distributed decision-making and shared governance. Sociocracy, being originated in the Netherlands in the 1970s and has since been adopted by organizations around the world.

According to sociocracy expert Ted Rau (Rau & Koch-Gonzalez, 2018), the model is based on the principles of transparency, equivalence, and effectiveness. In a sociocracy organization,

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decisions are made through consent-based processes rather than top-down mandates. This allows for greater participation and input from all members of the organization, leading to more effective and sustainable outcomes.

Sociocracy, a system of governance based on shared power and decision-making, represents a new approach to leadership. Instead of focusing on the leader as the central figure, sociocracy emphasizes the role of team members, employees, and citizens in decision-making and project implementation. This is achieved by reversing traditional power structures and making stakeholders the actors of the verbs in the sentence, such as "decide to join," "discover the meaning," "get involved," and "take responsibility." Rather than managing stakeholders, sociocracy seeks their agreement and participation in discussions and decisions.

This approach to leadership can be especially beneficial for organizations that value innovation, creativity, and adaptability, as it allows for more diverse perspectives and ideas to emerge. In summary, sociocracy represents a revolutionary approach to leadership that challenges traditional power structures and emphasizes the importance of shared decision-making and stakeholder participation. By making stakeholders the actors of the verbs in the sentence, sociocracy promotes a culture of equality, transparency, and collaboration, which can lead to increased engagement, productivity, and satisfaction among team members.

11 METHODOLOGY

Objective: To evaluate the effectiveness of the current management structure in a wealth management company and propose potential improvements to enhance organizational efficiency, employee engagement, and overall performance.

Overview of research method:

The methodology for this research consists of three key stages.

1. Gather information about the company and its current management structure.
2. Conduct an online survey to evaluate employee perceptions.
3. Analyze the survey results and propose improvements for the management structure.

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Stage 1 - Gather Information	Stage 2 - Online Survey	Stage 3 – Present & Propose
* Research on the Company and its Wealth Management Products * Gather Information on the Present Management Structure, Reporting Lines, and Decision-Making Processes	* Design the Online Survey Questionnaire to Evaluate Employee Perceptions and Experiences * Select Sample Population (Employees) for the Survey * Implement the Online Survey through Online Platforms or Internal Communication Channels * Collect and Analyze Survey Responses	* Interpret Survey Results to Understand Employees' Perceptions and Feedback * Draw Conclusions Based on the Survey Findings * Develop Proposals for Potential Improvements in the Management Structure * Present the Research Findings and Proposals in the Master's Thesis

Table 1 Stages in Research Methodology

Data Collection Method

Online Survey: An online survey will be conducted to collect data from employees across different levels and departments. The survey will consist of structured questions related to the management structure, leadership effectiveness, communication, decision-making processes, and overall satisfaction with the current organizational hierarchy.

Survey Design:

- The survey will be designed to be concise and user-friendly, ensuring maximum participation.
- Questions will be a mix of single choice, multiple-choice, and Likert scale to gather data.
- The survey will maintain anonymity to encourage honest and candid responses from participants.

Data Collection Procedure:

- **Distribution:** The survey link will be distributed via email to all employees, providing clear instructions and a deadline for participation.
- **Reminder:** A reminder email will be sent to encourage higher response rates.
- **Data Collection Period:** The survey will be open for a specific period to allow sufficient time for data collection. Survey link will be deactivated after the research period.
- **Data Management:** Responses will be collected and stored securely in a data management system.

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Data Analysis: Quantitative data from multiple-choice and Likert scale questions will be analyzed using statistical tools to derive key metrics and trends. Results will be reviewed to gain deeper insights into employees' perceptions and experiences.

Ethical Considerations:

- Participation in the survey will be voluntary, and participants can opt-out at any time.
- Respondents' confidentiality and anonymity will be maintained throughout the process.
- The research findings will be presented in an aggregated and anonymized manner to ensure individual privacy.

Credibility of Research:

To ensure the credibility of the research assessing the management structure, several measures will be taken to uphold the reliability and validity of the findings:

1. **Research Design:** The research design will be carefully planned and structured to address the specific objectives of the study. The use of an online survey will provide a standardized and systematic approach to data collection.
2. **Sampling Technique:** A representative sample of employees will be selected to participate in the survey, ensuring that the findings reflect the perspectives of various departments and organizational levels. Random sampling or stratified sampling methods may be employed to enhance the sample's representativeness.
3. **Validity of Survey Instrument:** The survey questionnaire will be developed using established measures and validated scales to assess the management structure effectively. Piloting the survey with a small group of employees will help identify any potential issues with the questionnaire's clarity and relevance.
4. **Anonymity and Confidentiality:** Participants' anonymity and confidentiality will be strictly maintained throughout the research process. Respondents will not be identified individually in any reports or analyses to encourage honest and unbiased responses.
5. **Ethical Considerations:** The research will adhere to ethical guidelines and principles, including obtaining informed consent from participants. Participants will be informed about the research's purpose, voluntary nature, and their right to withdraw at any time.
6. **Data Analysis:** The data analysis will be conducted using appropriate statistical methods, ensuring accurate interpretation of the quantitative results. For qualitative

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data, a rigorous thematic analysis approach will be employed to capture the richness and depth of respondents' feedback.

7. **Transparency in Reporting:** The research findings will be presented transparently, providing a clear and detailed account of the research methodology, data collection process, and analysis techniques used. Any limitations or potential biases will be acknowledged and addressed.
8. **Peer Review:** If applicable, the research findings may undergo peer review by subject matter experts or internal review by management and stakeholders to validate the research's quality and integrity.

By implementing these measures, the research assessing the management structure will gain credibility, making the findings more reliable and useful for decision-making and organizational improvements.

Limitations:

1. The survey relies on self-reporting by participants, which may introduce bias or social desirability, potentially influencing the accuracy of responses.
2. The sample size and representativeness of participants may affect the generalizability of the survey findings to the entire organization.
3. Participants can only access the survey links using their mobile devices as opening external web links on work computers is restricted due to the company's IT security policy.
4. Maintaining anonymity and safeguarding the privacy of participants in the secure work environment poses challenges, which may impact their willingness to provide open and honest responses.

Despite these limitations, conducting an online survey offers an effective approach to gather valuable data and feedback on the management structure within the operations department. Analyzing the survey responses will provide essential insights into areas of improvement and guide decision-making processes to enhance the overall effectiveness of the management structure.

II. ANALYSIS

12 INTRODUCTION

12.1 About the company

XYZ is a global wealth management company that provides platform solutions and technology services to financial institutions, asset managers, and wealth managers since 2003. The company is headquartered in London, England. XYZ has over 800+ clients, 20 million+ users worldwide and over \$1.5 trillion in assets under administration.

The company offers a range of services, including investment administration, digital wealth management, and retirement solutions. XYZ's platform enables the management and administration of investment portfolios, offering clients access to a wide range of investment products and services.

The company focuses on delivering scalable and efficient solutions to help financial institutions and wealth managers streamline their operations, enhance client engagement, and drive growth in the wealth management industry. The company has over 800 clients and 20 million users worldwide.

12.2 Products & Services

XYZ offers a comprehensive range of products and services in the wealth management industry. Some of the key offerings include:

1. **Investment Administration:** XYZ provides advanced investment administration solutions, facilitating efficient management of investment portfolios and related processes.
2. **Digital Wealth Management:** The company offers digital wealth management platforms and tools that enable financial institutions and wealth managers to deliver personalized and automated investment advice and services to their clients.
3. **Retirement Solutions:** XYZ provides retirement solutions that help individuals and organizations effectively plan and manage their retirement savings, including pension schemes and retirement investment strategies.
4. **Platform Solutions:** XYZ's platform solutions empower financial institutions and wealth managers to streamline their operations, enhance client engagement, and

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achieve scalable growth. The platforms offer a wide range of investment products and services, accessible through a user-friendly interface.

5. **Technology Services:** XYZ offers technology services to support the implementation, integration, and maintenance of wealth management systems and applications. This includes platform customization, data management, and technology infrastructure support.
6. **Reporting and Analytics:** XYZ provides robust reporting and analytics tools that enable clients to gain insights into investment performance, risk analysis, and other key metrics. These tools aid in decision-making and monitoring of investment portfolios.
7. **Regulatory Compliance:** XYZ offers solutions and support to ensure compliance with regulatory requirements in the wealth management industry, helping clients navigate complex regulatory landscapes effectively.
8. **Client Support and Training:** XYZ provides comprehensive client support and training services to assist financial institutions, asset managers, and wealth managers in optimizing the utilization of their platforms and achieving their business objectives.

12.3 About the Team

XYZ has 6,400+ Employees worldwide from 90+ Nationalities.

XYZ follows a matrix organization structure. A matrix organization structure is a hybrid of functional and divisional structures. In a matrix organization, employees report to two bosses: a functional manager and a project manager. This allows the company to be both efficient and flexible. The company believes that this structure allows it to be more competitive and to provide better service to its clients.

XYZ's matrix organization structure is designed to help the company to be agile and to respond quickly to changes in the market. The company believes that this structure allows it to be more competitive and to provide better service to its clients.

XYZ has a number of functional departments, such as product development, marketing, and sales. These departments are responsible for the overall health of the company. However, XYZ also has a number of project teams that are responsible for specific projects, such as launching a new product or entering a new market. These project teams are made up of employees from

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different expertise, and they are led by a project manager who have the authority to manage the project's scope, resources, and timelines.

12.4 Present Management Structure

XYZ has adopted a matrix organizational structure to manage its diverse range of operations effectively. In the matrix structure, employees at XYZ report to both functional managers, who oversee specific areas of expertise, and project or client managers responsible for specific projects or client relationships.

This organizational model enables XYZ to leverage the specialized skills of its employees within functional departments such as technology, investment management, compliance, and operations. At the same time, it fosters cross-functional collaboration, allowing teams to work together seamlessly on complex projects and cater to the unique needs of their clients efficiently.

XYZ's matrix structure enables a client-centric approach, empowering teams to leverage their expertise and resources to deliver personalized wealth management solutions to clients globally. In this structure, employees report not only to their seniors within the company but also to client representatives, usually their project managers and officers. This dual reporting system ensures effective communication, coordination, and alignment with client needs throughout the task processing, facilitating seamless collaboration and successful outcomes for clients. While the matrix structure offers numerous benefits, it requires robust communication, clear roles, and a strong focus on coordination to ensure alignment across teams and functions.

XYZ's organizational structure consists of three hierarchical levels.

- At the first level, the company is led by the Founder at the top, with Regional CEOs reporting directly to the Founder (see Figure 8).
- The second level includes Regional CEOs, each overseeing specific regions, and Chiefs of various departments, who are responsible for managing their respective functional areas (see Figure 9).
- The third level comprises Chiefs and their respective departmental branches, where each branch focuses on specific tasks and responsibilities within the department (see Figure 10).

PRESENT MANAGEMENT STRUCTURE

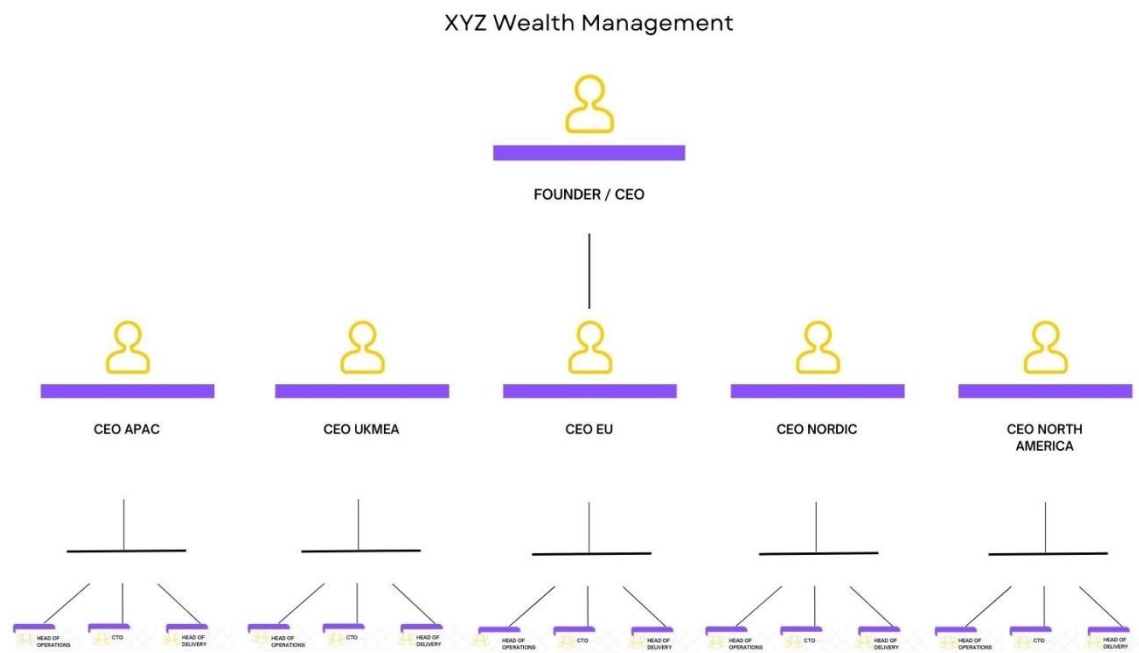


Figure 8 1st level Management Structure of XYZ (Own Process)

12.5 Roles

Founder/CEO: The Founder/CEO is the top executive in the company, responsible for vision, strategy, and overall performance. They lead, make critical decisions, and represent the company to external stakeholders. Working closely with the board of directors, they ensure effective corporate governance and foster business growth.

Regional CEOs: Regional CEOs are senior executives responsible for overseeing operations in specific geographic areas. They develop and execute customized business strategies, analyzing market conditions and competition to identify growth opportunities. Regional CEOs are accountable for financial performance, monitoring revenue and expenses, and taking actions to achieve targets.

It's important to highlight that in a matrix management structure, both the Founder/CEO and Regional CEOs work together to align strategic objectives and operational initiatives. Effective communication and collaboration are essential to ensure that the organization operates cohesively, leveraging the strengths of both the central leadership (Founder/CEO) and the regional leadership (Regional CEOs) to achieve the company's overall goals.

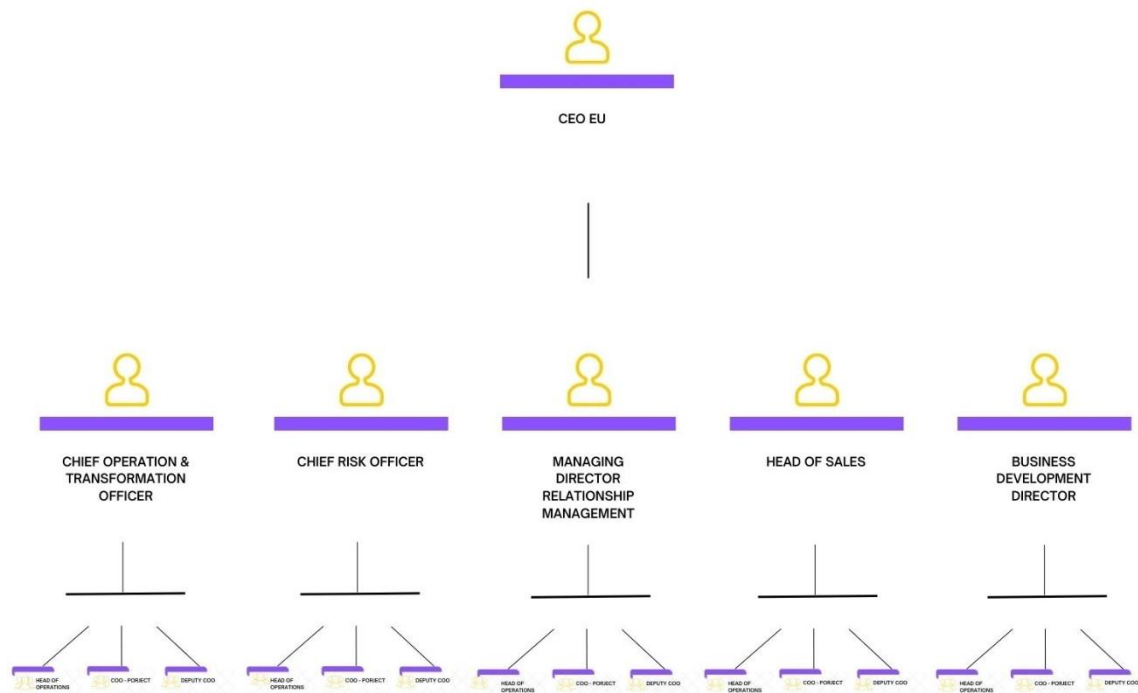


Figure 9 2nd level Management Structure of XYZ (Own Process)

Chief Operations Officer (COO): The COO oversees day-to-day operations in the wealth management company, ensuring efficiency and effectiveness. They allocate resources strategically, aligning with objectives. Collaborating with the CRO, they identify and mitigate operational risks, maintaining compliance with regulations. The COO oversees technology implementation to support operations and client services.

Chief Risk Officer (CRO): The CRO identifies, assesses, and manages risks affecting financial stability and reputation. They evaluate risks related to investments, operations, and compliance to protect the company and clients. Ensuring regulatory compliance and best practices, the CRO minimizes legal and regulatory risks. Collaborating with other departments, they implement risk mitigation strategies. Regularly, they report to the CEO, board, and regional leadership on risk exposure and management efforts.

Business Development Director: The Business Development Director identifies new opportunities, expands the client base, and fosters partnerships. Conducting market research, they find growth areas and new client segments. They attract high-net-worth clients and institutional partners, broadening the company's market reach. Nurturing client and partner relationships, they explore upselling and cross-selling wealth management services.

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Head of Sales: The Head of Sales supervises the team to meet revenue targets and drive business growth. They create sales strategies and plans for revenue and client acquisition goals. Motivating and guiding the team, they ensure high performance through training and support. The Head of Sales reports sales performance to regional leadership and the CEO regularly.

Managing Director: The Managing Director oversees regional operations and business development. They create and execute region-specific strategies aligned with the company's objectives. They lead regional teams, fostering collaboration to achieve goals. Maintaining client relationships, the Managing Director ensures high-quality wealth management services are delivered in the region.

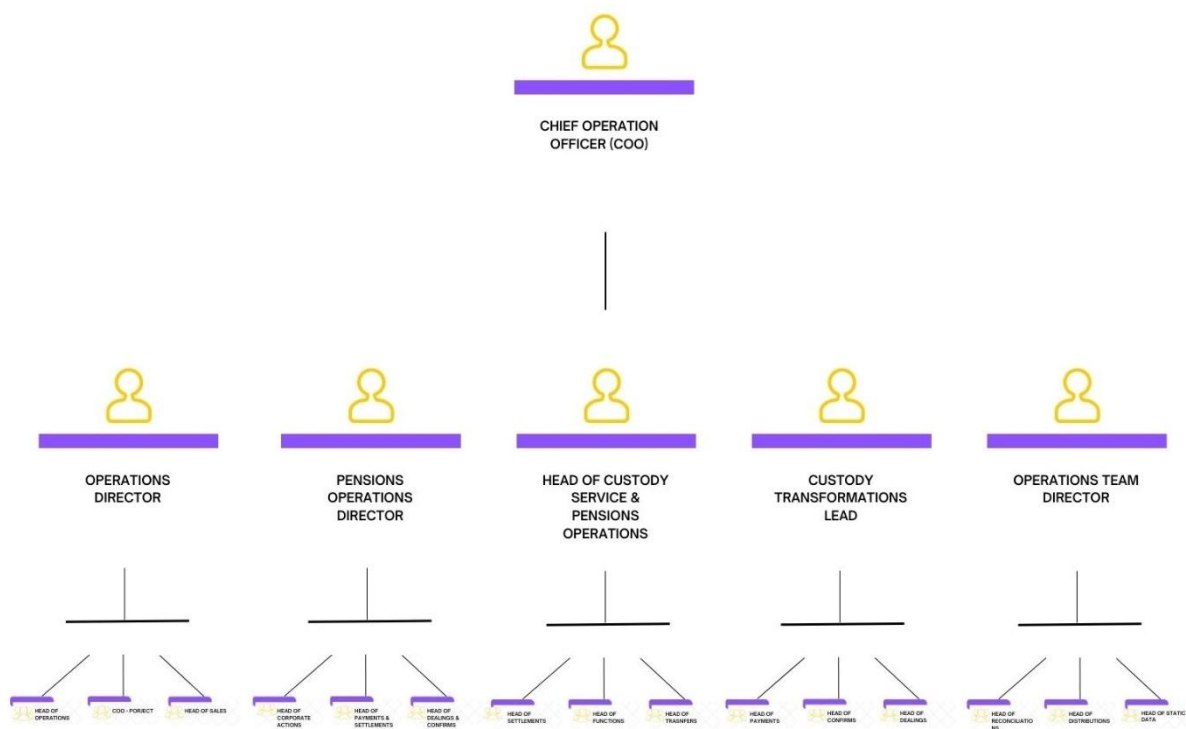


Figure 10 3rd level Management Structure of XYZ(Own Process)

Operations Director: The Operations Director oversees day-to-day activities in the wealth management company, aiming for smooth and efficient processes. They optimize operations to increase productivity and efficiency, strategically allocating resources to align with company objectives. The Operations Director monitors performance metrics, identifies areas for improvement, and implements enhancements. Leading initiatives to streamline workflows and automate processes, they enhance operational effectiveness.

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Pensions Director: The Pensions Director manages pension-related services, ensuring compliance with regulations. They oversee all pension activities, ensuring accuracy and timeliness. Adhering to regulatory requirements and best practices, they provide expert advice to clients, enabling informed decisions.

Head of Custody & Service: The Head of Custody & Service manages custody services, ensuring exceptional client support. They safeguard and administer clients' assets. Building strong client relationships, they address inquiries and concerns promptly and professionally, exceeding expectations.

Custody Transformation Lead: The Custody Transformation Lead drives initiatives and process improvements within the custody department. They identify areas for enhancement and lead transformative efforts. Collaborating with technology teams, they implement innovative solutions to enhance custody operations and client experience. The Custody Transformation Lead ensures smooth implementation, managing change and stakeholder communication effectively.

Operations Team Director: The Operations Team Director oversees operational teams in the wealth management company, ensuring effective functioning. They lead and mentor teams, setting performance goals and providing regular feedback. The Director ensures teams meet business demands and priorities efficiently.

13 EXPLORING THE OPERATIONS DEPARTMENT: REGIONAL BRANCH IN BRNO, CZECHIA

The research is conducted at the regional branch of XYZ wealth management company in Brno, Czechia, which is dedicated exclusively to the operations department. The primary focus of this study is to explore the functioning of the operations department which utilizes a matrix management structure. Figure 11 illustrates the Operations Department's design structure.

To achieve this, the research takes a deeper dive into the day-to-day operations and reporting processes within a particular branch team in the operations department. By focusing on this specific team, the study aims to gather detailed insights into how the matrix management structure is implemented and how it influences the team's functioning, decision-making, communication, and overall performance.

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By conducting an in-depth analysis of a particular branch team, the study can identify any unique challenges or opportunities specific to the operations department's matrix management structure. The goal is to provide valuable insights into how the matrix management model is applied and how it affects the team's performance and overall dynamics.

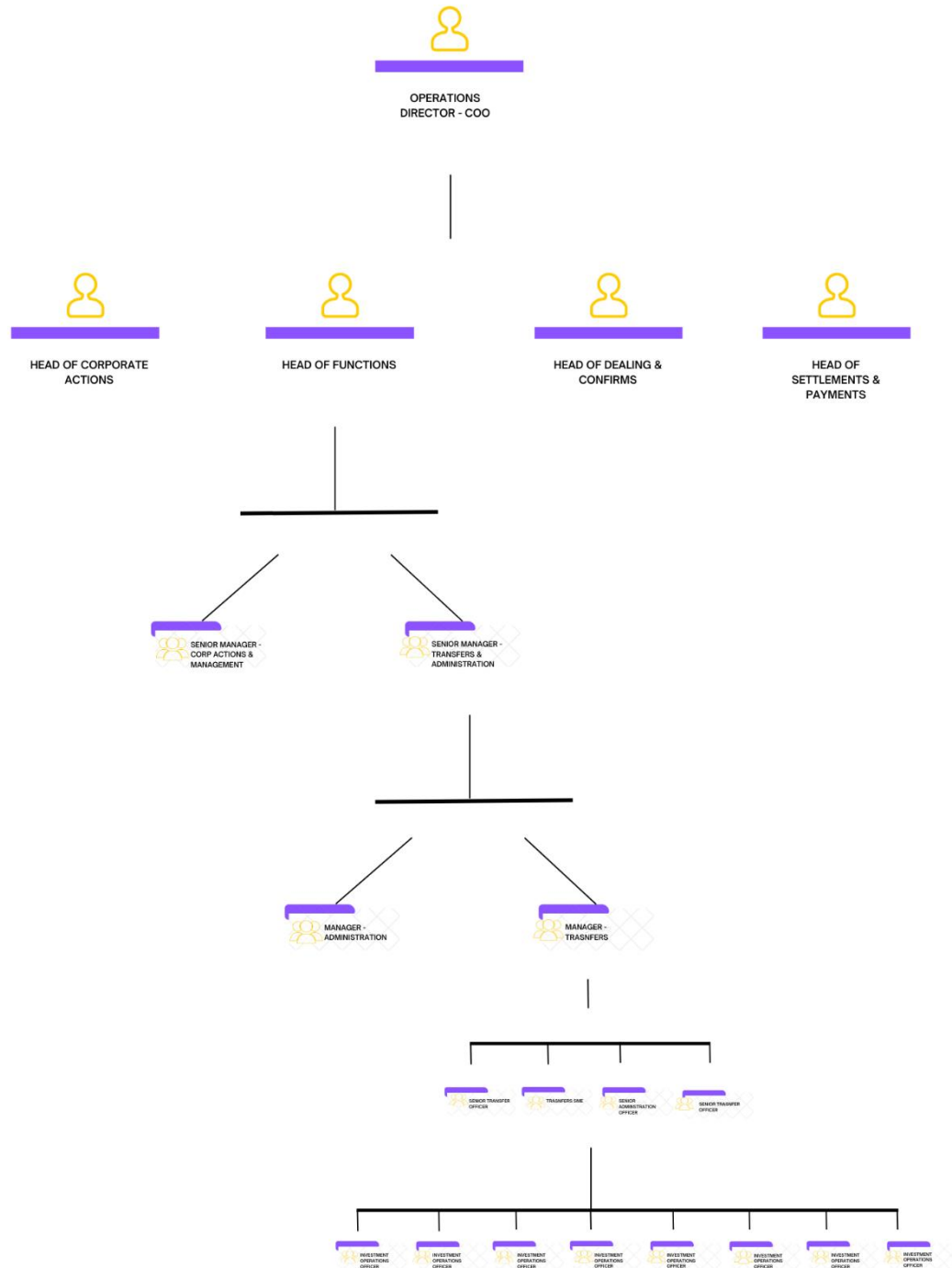


Figure 11 Operations department hierarchy of XYZ (Own Process)

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Head of Corporate Actions: The Head of Corporate Actions oversees all corporate action activities affecting clients' investments, including stock splits, mergers, and dividends. They ensure accurate and timely processing to minimize risk and maximize benefits. Compliance with regulations and industry best practices is a priority. The Head of Corporate Actions communicates with clients about upcoming actions, providing essential information and guidance.

Head of Functions: The Head of Functions supervises functional areas in the wealth management company, ensuring coordination and alignment with objectives. They promote collaboration and resource allocation for critical projects. Tracking performance, they implement strategies for continuous improvement and a cohesive approach to operations.

Head of Dealing & Confirm: The Head of Dealing & Confirm manages trade execution and confirmation processes. They ensure timely and accurate execution of investment trades for clients, minimizing discrepancies and risks. Staying updated on market trends, they make informed decisions on trade execution.

Head of Settlement & Payments: The Head of Settlement & Payments manages settlement processes and payment activities for investment transactions. They ensure timely delivery of securities and funds to clients and handle various financial transactions, including withdrawals and dividends. Implementing risk mitigation measures, they ensure compliance with payment regulations.

Each head of all above branches report to higher-level executives such as the COO or CEO and are accountable for the overall performance and success of their respective areas. Under each head, there is a hierarchy of roles that supports the efficient functioning of the various operational functions. Here's an overview of the roles in descending order of seniority:

Senior Managers: Senior Managers are experienced professionals who work closely with the Head and are responsible for managing specific teams or projects within the functional area. They provide leadership, guidance, and support to their teams, ensuring that operational objectives are met.

Managers: Managers are mid-level professionals who report to Senior Managers and are in charge of overseeing day-to-day operations and activities within their assigned teams or departments. They implement strategies and initiatives to achieve operational goals and ensure that their teams function smoothly.

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Senior Officers: Senior Officers are skilled professionals who work under the guidance of Managers and support the implementation of operational processes and procedures. They often have expertise in specific areas and play a key role in executing complex tasks and projects.

Officers: Officers are entry-level or junior professionals who work under the supervision of Senior Officers and Managers. They handle routine operational tasks, provide support to higher-level staff, and contribute to the overall efficiency of their functional teams.

13.1 Workflow and Reporting: Transfers Team

we aim to gain valuable insights into the transfers team's day-to-day operations, decision-making processes, communication channels, and overall performance. This research endeavors to contribute to a better understanding of the matrix management model's effectiveness in our specific operational context. The work and communication flow of the transfers team are depicted in the Figure 12 below.

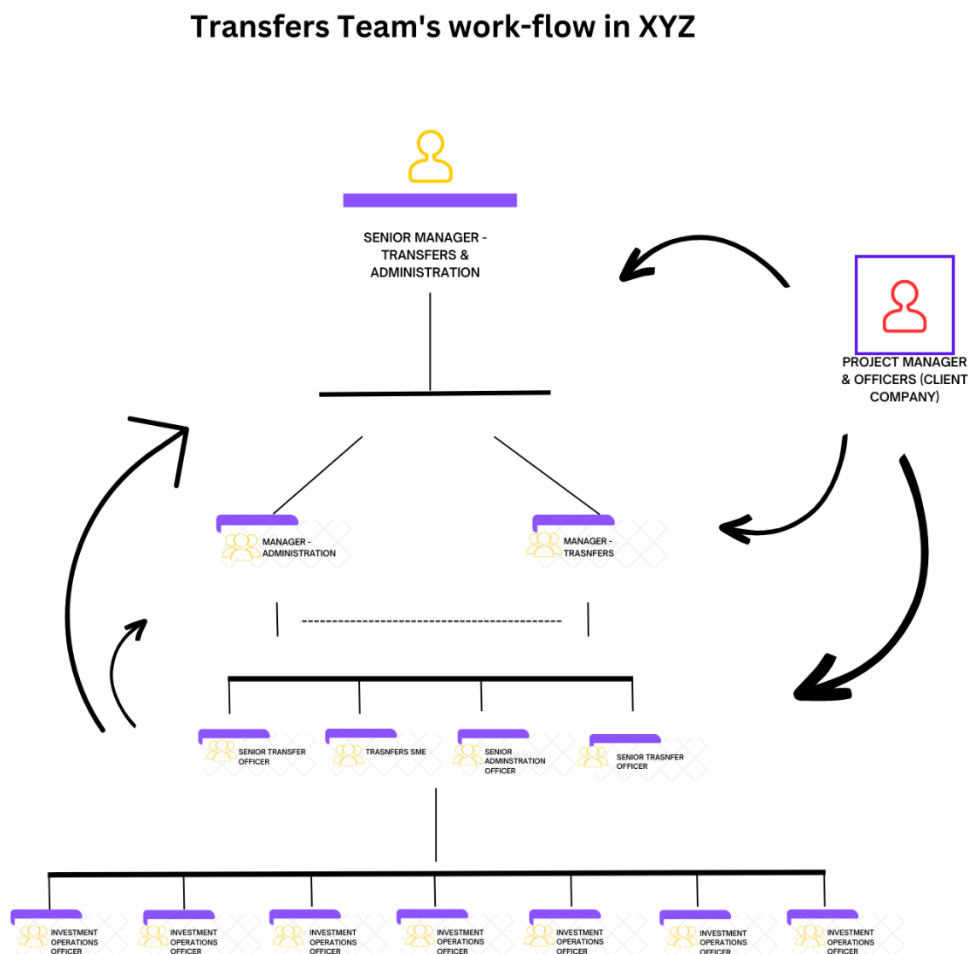


Figure 12 Work and communication flow of the transfers team (Own process)

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As illustrated in Figure 12, the transfers team comprises a senior manager and two managers responsible for handling transfers and administration. Below them, there are four senior officers, and at the last level are the investment operations officers.

1. **Senior Manager:** The senior manager is the leader of the transfers team and oversees its overall operations. They are responsible for setting strategic goals, managing team performance, and ensuring efficient execution of transfers and administrative tasks. The senior manager also communicates with higher management and other departments to align the team's objectives with the company's overall vision.
2. **Managers:** The two managers within the transfers team have distinct responsibilities. One manager is primarily focused on handling transfer-related tasks, such as processing client requests for fund transfers, account changes, and other financial transactions. The other manager is in charge of administration, ensuring smooth operations within the team, and coordinating with relevant stakeholders to maintain necessary documentation and compliance.
3. **Senior Officers:** The four senior officers play a vital role in supporting the managers and the team's overall functioning. They handle more complex transfer cases, resolve issues that arise during the process, and assist with decision-making. Senior officers may also provide guidance and training to junior team members.
4. **Investment Operations Officers:** At the last level of the transfers team, the investment operations officers focus on executing specific investment-related tasks and ensuring accuracy in investment-related transfers. They may work closely with investment managers and other departments to facilitate seamless investment operations.

In the transfers team, work tasks are received from clients on a daily basis. These tasks may include processing fund transfers, account changes, and other financial transactions requested by the client. The team is responsible for handling these tasks promptly and accurately.

Regarding reporting, the transfers team follows a matrix management structure. This means that the team members report to both their immediate managers (managers) within the transfers team and also to the senior manager, who oversees the overall operations of the team. This reporting structure allows for efficient coordination, communication, and decision-making within the team.

Additionally, since the transfers team serves clients from external organizations, reporting also happens to the client company. This involves providing updates, progress reports, and

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necessary documentation related to the tasks being handled for the client. This dual reporting structure ensures transparency and effective communication between the transfers team, its management, and the client company, fostering strong client relationships and meeting client expectations.

14 SURVEY ANALYSIS

14.1 Demographic Information

The survey is taken within the employee community on XYZ company. The survey links has been shared to 50 staffs in the company and out of 50, we got response from 30 staffs.

Gender: Out of the 30 staff members surveyed, there are 12 females and 17 males, as depicted in the graph below (Figure 13).



Figure 13 Gender Distribution

Age Group Distribution: The survey participants are divided into three age groups: 21-30 years, 31-40 years, and 41-50 years. The largest proportion, 56.67%, belongs to the 31-40 years category, followed by 36.67% in the 21-30 years category, and 6.67% in the 41-50 years category, as illustrated in the graph below (Figure 14).

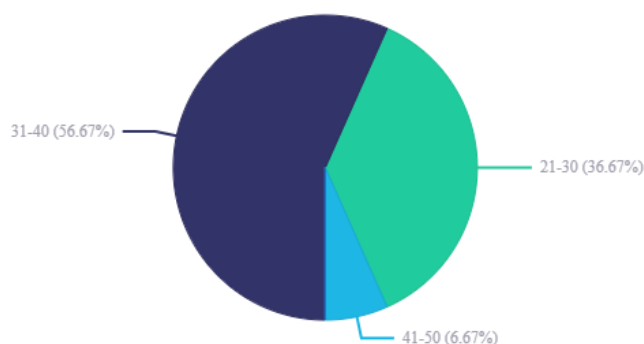


Figure 14 Age group distribution

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Department Distribution: The survey was conducted within the operations division of the wealth management company, covering four departments. Among these departments, Dealings & Confirms received 23.33% of the responses, Payments & Settlements received 20% of the responses, Corporate Actions received 23.33% of the responses, and Transfers received 36.67% of the responses, as illustrated in the graph below (Figure 15).

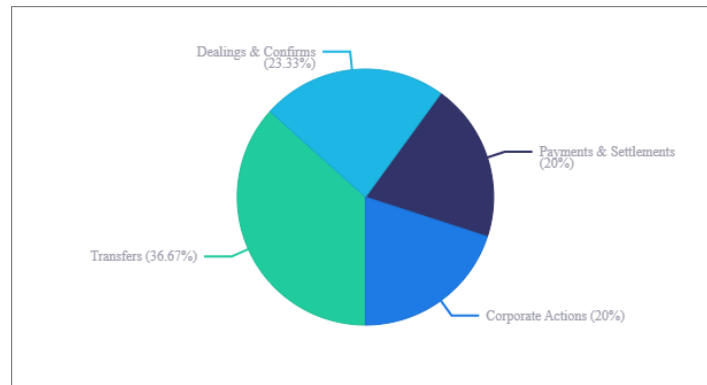


Figure 15 Department Distribution

Experience with the Company: The survey participants' working experience in the company is distributed as follows: 50% have 1-5 years of experience, 46.67% have 0-1 year of experience, and only 3.33% have 5-10 years of experience, as depicted in the graphical illustration below (Figure 18). The response rate for participants with 5-10 years of experience is relatively low, primarily due to their senior-level positions and busy schedules. Despite multiple requests, receiving responses from this group was challenging, likely because of their higher responsibilities and commitments within the company.

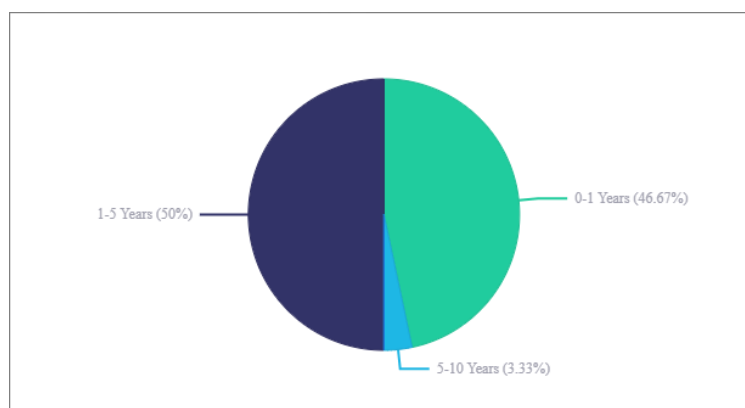


Figure 16 Participant's Experience in the company

Management Level Distribution: The survey participants are categorized into three management levels: Senior Level, Middle Level, and Junior Level. The responses received from each level are as follows: 15.38% from Senior Level employees, 19.23% from Middle

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Level employees, and 65.38% from Junior Level employees. The illustration below (Figure 17) depicts the distribution, indicating a higher proportion of employees at the Junior Level compared to the other levels.

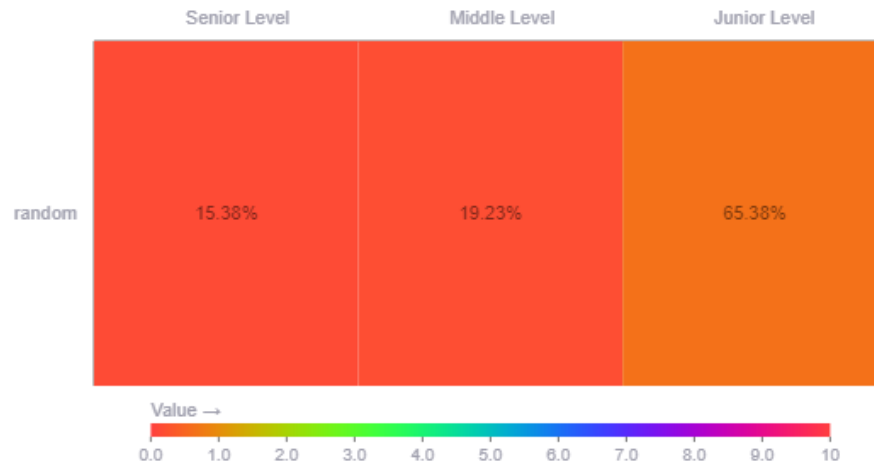


Figure 17 Management Level Distribution

14.2 Survey Results

Company Culture: The core ambition of XYZ is to foster a growth-oriented culture that provides boundless opportunities for employees, customers, and the broader world. The company highly values the strength and diversity of perspectives within its global team.

XYZ adopts a matrix management structure, where employees report to their team managers and also to the project managers/officers at the client end. This dual reporting system entails receiving instructions from both ends.

For the question about rating the company culture, the survey received the following responses:

- 3% of respondents were neutral.
- 2% of respondents were promoters.
- 77% of respondents were detractors.

The illustration below visually represents the distribution of these responses:

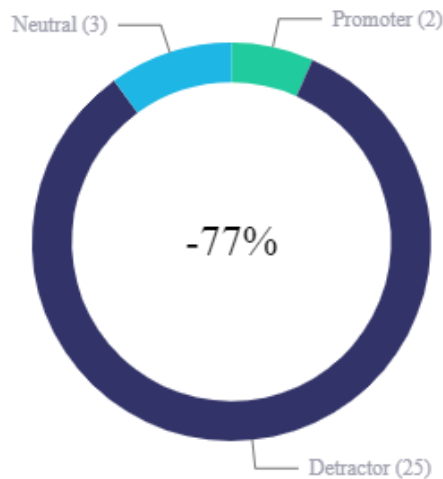


Figure 18 Result of Company Culture

From the above result (Figure 18), it is evident that a significant majority of respondents (77%) are detractors when it comes to rating the company culture. This indicates that a large portion of employees may have negative perceptions or feelings about the prevailing culture within the organization.

On the other hand, a very small percentage of respondents (2%) are promoters, who likely have positive views of the company culture. Additionally, a small percentage (3%) of respondents remain neutral, neither strongly positive nor negative in their assessment of the culture.

The high percentage of detractors may suggest that there are areas of concern within the company culture that need to be addressed. It is essential for the organization to investigate and identify the factors contributing to these negative perceptions and take appropriate measures to improve the company culture. Understanding and addressing the concerns raised by the majority of respondents can help create a more positive and engaging work environment, aligned with the organization's ambition to foster growth and offer limitless opportunities for employees, customers, and the broader world.

Decision Making: From the survey results on decision-making processes in the organization, it is evident that there are significant concerns and dissatisfaction among the respondents.

Efficiency of Decision-Making Processes:

Only 3% of respondents rated the overall efficiency of decision-making processes in the organization positively (see Figure 19). This suggests that the majority of respondents are not satisfied with the current decision-making practices, and there may be inefficiencies or challenges in the decision-making process.

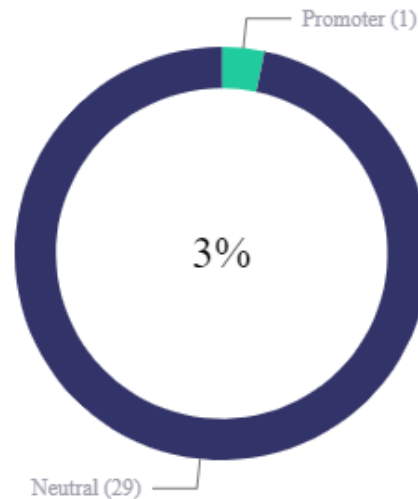


Figure 19 Result for decision making.

Empowerment and Involvement in Decision-Making: An overwhelming 97% of respondents expressed detractor views (see Figure 20) when asked about their level of empowerment and involvement in decision-making processes within the organization. This indicates a high level of dissatisfaction among employees regarding their ability to participate and have a say in shaping organizational decisions.structure?

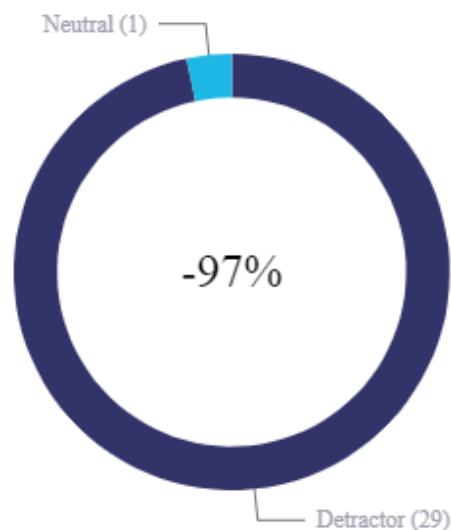


Figure 20 Result for Involvement in Decision making

The combination of low satisfaction with decision-making efficiency and high dissatisfaction with empowerment in decision-making processes raises significant concerns about the organization's decision-making culture. It is crucial for the organization to address these issues and work towards creating a more inclusive and efficient decision-making process.

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Communication challenges: From the survey results on communication challenges (see Figure 21), it is evident that a large majority of respondents (86.67%) feel that the current management structure does not effectively address communication challenges across different functional areas. Only a small percentage (13.33%) of respondents indicated that they believe the current structure adequately handles communication challenges.

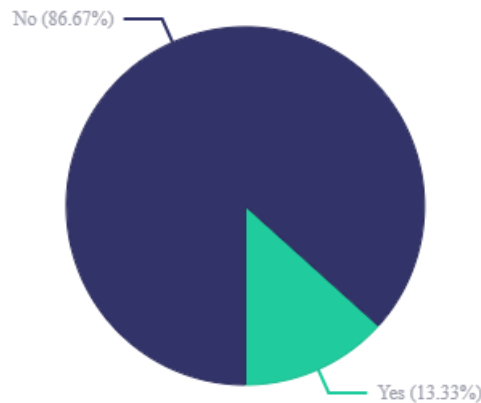


Figure 21 Result for communication challenges

The high percentage of respondents expressing a negative view on communication highlights a significant concern within the organization. This result indicates that there are apparent challenges in communication between different functional areas, and the current management structure may not be effectively facilitating the flow of information and collaboration.

Reporting Challenges: From the survey results on workload management (Figure 22), it is evident that the majority of respondents (90%) feel overwhelmed and find it challenging to balance their workload effectively when reporting to multiple supervisors. Only a small percentage (10%) of respondents indicated that they find it manageable to handle their workload in such a reporting structure.

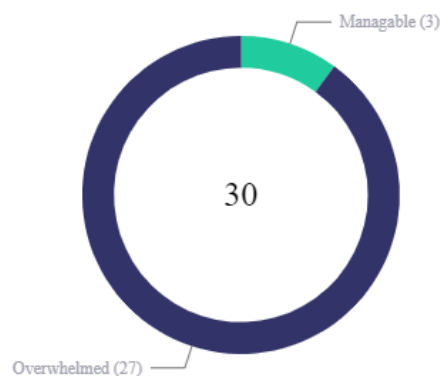


Figure 22 Result for reporting challenges

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The high percentage of respondents expressing feelings of being overwhelmed suggests that there may be challenges in workload distribution and coordination within the organization's matrix management structure. This result indicates that employees may be facing difficulties in managing their responsibilities and meeting the demands of multiple reporting lines.

Interpreting the Survey Results on Workplace Factors:

The illustration figure below (Figure 23) depicts the key workflow factors identified from the conducted survey.



Figure 23 Results on Workplace factors

Decision Making: The majority of respondents (73.33%) recorded being somewhat satisfied with the decision-making processes & a small percentage (10%) of respondents expressed dissatisfaction with decision making. This suggests that while there is a degree of contentment, there may be room for improvement in decision-making practices to address concerns and enhance overall satisfaction.

Internal Communication: A significant portion of respondents (43.33%) expressed dissatisfaction with internal communication in the workplace, while 50% recorded being somewhat satisfied. These results highlight the need for better communication strategies to bridge the gap and enhance information sharing within the organization.

Reporting: A notable 63.33% of respondents indicated dissatisfaction with reporting processes, while 36.67% were somewhat satisfied. This indicates potential challenges in reporting structures and the need to address issues related to clarity, efficiency, and accountability.

Positive Aspects:

Management: The majority of respondents (76.67%) expressed satisfaction with management in the workplace. This suggests that many employees feel positively about how the organization is being managed, indicating a potential strength in leadership and decision-making at the managerial level.

Collaboration: 70% of respondents recorded satisfaction with collaboration in the workplace. This suggests a positive team-oriented work environment, where employees are effectively working together to achieve common goals.

Empowerment: A significant 76.67% of respondents recorded satisfaction with empowerment, indicating that employees feel they have a sense of control and influence in decision-making processes.

Working Environment: Nearly half of the respondents (46.67%) were very satisfied, and 53.33% marked satisfaction with the working environment. This indicates a generally positive atmosphere that contributes to employee satisfaction and productivity.

Adaptability: A substantial 56.67% of respondents recorded satisfaction with adaptability, while 23.33% were very satisfied. This suggests that the organization demonstrates flexibility and readiness to adjust to changing circumstances and challenges.

14.3 Key Review Analysis:

1. **Company Culture:** The high percentage of detractors indicates areas of concern within the company culture. It is essential for the organization to investigate and identify the factors contributing to negative perceptions and take appropriate measures to improve the company culture.
2. **Decision-Making:** Proactive steps to improve decision-making can lead to greater employee engagement and foster a culture of collaboration and innovation, aligning with the organization's ambition of growth and providing limitless opportunities.
3. **Communication Challenges:** Addressing communication challenges is crucial for effective teamwork, alignment across departments, and overall organizational

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efficiency. Implementing strategies to improve communication channels and practices can create a more transparent and cohesive work environment.

4. Reporting Challenges: Identifying the root causes of overwhelming workloads and implementing measures for improved workload management are essential for maintaining employee well-being and ensuring productivity and efficiency within the organization.

The survey results indicate significant areas of concern within the organization, particularly related to company culture, decision-making, and communication. A high percentage of respondents expressed dissatisfaction with the current management structure, specifically the matrix management system, which seems to contribute to various challenges and detractors.

The prevailing matrix management structure has shown limitations in addressing communication challenges, workload management issues, and decision-making efficiency. Employees' overwhelming feeling of being stretched too thin with multiple reporting lines is a clear indication of the workload-related challenges associated with the matrix system.

Addressing these concerns and challenges is vital for creating a more positive and engaging work environment. One potential solution could be transitioning to a decentralized management structure, which fosters a more agile and collaborative approach to decision-making. By empowering teams and employees to have a greater say in the decision-making processes, the organization can increase employee satisfaction and engagement.

A decentralized management model can promote effective communication, enhance collaboration, and enable a more efficient allocation of workload. By distributing decision-making power across the organization, employees can feel more involved and motivated to contribute their ideas and expertise.

Embracing a decentralized management model aligns with the organization's ambition of fostering growth and offering limitless opportunities for its employees and customers. It can lead to greater adaptability, innovation, and employee satisfaction, contributing to overall organizational success.

Based on the derived issues from the present matrix management structure, advocating for a shift to a decentralized management model appears to be a promising step. By addressing the identified challenges and promoting a more employee-centric approach, the organization can cultivate a positive and dynamic work culture that drives success and growth in the wealth management industry.

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During a recent in-house online meeting with XYZ's CEO on July 13th, 2023, it was stated that XYZ will gradually transition to a flat organization structure (See Appendix B).

15 SOCIOCRACY: AN ORGANIZATIONAL PARADIGM WORTH CONSIDERING

Sociocracy is a governance system that emphasizes collaboration, transparency, and collective decision-making. It can be a solution to the challenges faced by XYZ. The sociocratic structure is based on the concept of circles, which are self-organizing teams that operate within a larger circle. Each circle has a specific aim and the authority to make decisions related to that aim.

Sociocracy can help XYZ expand its team size by enabling the formation of new circles for different projects. This would allow for more people to be involved in decision-making and the company can handle projects more efficiently. Additionally, sociocracy promotes inclusion and engagement, leading to increased ownership and productivity among staff.

15.1 Sociocratic Management Model in Action: Success Stories

15.1.1 Case1:

Endenburg Elektrotechniek

- The first company to adopt the sociocracy method is Endenburg Elektrotechniek in Rotterdam, Netherlands.
- Piet Slieker is the CEO of Endenburg Elektrotechniek.
- The company's website is <http://www.endenburg.nl/>.

An Electrical installations contractor with 120 employees, using Sociocracy since 1970.

In the Netherlands, labour regulations require companies with 30 or more employees to have works councils, which are similar to in-house labour unions. However, Sociocracy organizations are exempt from this requirement because they are seen as better protecting workers' interests, leading to a more collaborative relationship.

“Our clients are convinced that this is the method to use because we have better-motivated people.” —Piet Slieker, CEO, Endenburg Electrotechniek

15.1.2 Case 2:

Creative Urethanes, Inc.

- Company Name: Creative Urethanes
- Industry: Plastics manufacturing
- CEO: Richard Heitfield
- Website: <http://www.creativeurethanes.com/>

Plastics manufacturing company making pipes, wheels, gears, and other products of urethane, with 30 employees, using Sociocracy since the 1980s. CEO Richard Heitfield is apparently very friendly and happy to talk with people about Sociocracy.

“Dynamic governance creates a radical change in the way organizations are run.”
—Richard Heitfield, Creative Urethanes CEO

During the financial crisis of 2008, Creative Urethanes, a plastics manufacturing company based in Virginia, faced a significant decline in sales, but the employees were able to create a plan using the sociocracy process that everyone could accept. The company had adopted dynamic governance since in the 1980s, which empowered people to make policy within their established domains, and allowed leadership to spring up when it was most needed. This enabled the business to stay afloat during a very difficult time. Sociocracy is a non-authoritarian organizational operating system that fosters better and clearer decisions (Lozanova, 2014).

15.1.3 Case 3

La Croisée des Chemins: A school using sociocracy

Cultural center and democratic free school founded in May 2014

Website: ecoledelacroiseedeschemins.fr/en/

Functioning Tools:

- Sociocracy,
- Restorative Circles,
- Non-Violent Communication

Support collaborative decision making and a person-centered approach to education

Student involvement in decision making regarding:

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- Daily rules and practices of the school
- Allocation of funding in the budget
- Schedule of the school day

The school opened in May of 2014 with 2 staff and 3 students.

Fleur Mathet, who is a trained psychologist and had homeschooled her children for ten years, founded the Crossroads project with the aim of creating a person-centered school that uses collaborative decision making.

Functional Circles:

- Training Circle & Consulting Circle: Responsible for conducting training and workshops.
- Cultural Space Circle: Hosts events for the wider public.
- Democratic School Circle. Made up of the members of the school staff, conducts necessary tasks for the running of the school.

Sociocracy offers a compelling solution for XYZ Wealth Management to address the challenges highlighted in company culture, decision-making, communication, and reporting. By adopting Sociocracy principles, XYZ Wealth Management can create a more inclusive and empowering work environment that fosters collaboration, transparency, and collective decision-making.

Adopting Sociocracy as an organizational paradigm can offer XYZ Wealth Management an effective framework to address the identified challenges. By embracing decentralized decision-making, equal participation, and transparent communication, XYZ Wealth Management can create a positive work environment that supports growth, innovation, and collaboration among its employees. The proposed Sociocracy model for the Transfers Team is depicted in Figure 24, providing a visual representation of how this new management approach can be implemented and integrated into the existing structure. This model aims to foster a culture of trust, engagement, and adaptability, ultimately contributing to the overall success and scalability of the Transfers Team within the organization.

16 SOCIOCRACY: THE INNOVATIVE MANAGEMENT MODEL PROPOSAL

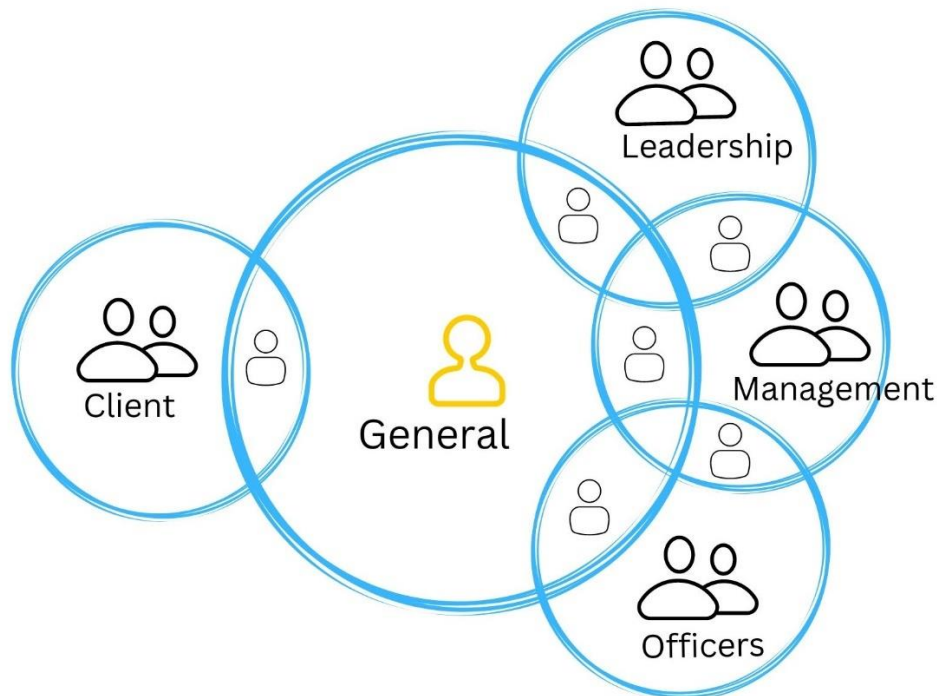


Figure 24 Sociocracy Model for XYZ (Own Process)

16.1 Circles

General Circle: The General Circle serves as a central hub, fostering communication and collaboration between the different circles within the Transfers Team. It facilitates alignment and coordination to ensure a cohesive approach to wealth management transfers and services.

Leadership Circle: This circle is led by the Senior Manager and includes Managers as the linking person to the other circles. They are responsible for overseeing the entire Transfers Team's operations, setting strategic goals, managing team performance, and ensuring the efficient execution of transfers and administrative tasks. Additionally, higher-level authorities, such as the Head of Functions or Operations, may also be part of this circle to provide valuable guidance and direction.

Management Circle: The Management Circle is led by the Senior Manager and includes both Managers and Senior Officers. They are responsible for overseeing the entire Transfers Team's operations, setting strategic goals, managing team performance, and ensuring the efficient

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execution of transfers and administrative tasks. Additionally, Managers and Senior Officers act as a crucial link between the Officers Circle and the General Circle, facilitating communication and collaboration between the different circles.

Officers Circle: The Officers Circle comprises all Operations Officers within the Transfers Team. They play a critical role in supporting the Management Circle and the overall functioning of the team. The Operations Officers handle day-to-day transfer tasks, resolve issues, and ensure smooth operations.

Client Circle: This circle includes project managers and officers from client companies who collaborate with the Transfers Team. They play a key role in passing instructions, handling double-sided reporting, and ensuring smooth communication between the client and the Transfers Team. The Client Circle establishes a link to the General Circle, ensuring seamless coordination and collaboration between the client's requirements and the overall wealth management services provided by the organization.

As said above, the sociocracy circle structure can be superimposed over the existing administrative structure (Romme, 1995). This implementation allows for a dynamic and flexible approach to decision-making and communication within the Transfers Team. By incorporating Sociocracy's principles of equal participation and transparency, the team can foster a culture of collaboration, innovation, and continuous improvement.

16.1.1 Circle Characters

Each circle is tasked with a particular aim, over which they have full autonomy. Each circle would have its own decision-making processes based on consent, with representatives from each circle participating in the general circle to ensure alignment with the overall strategy and direction of the company. This would allow for distributed authority and decision-making, while still ensuring that the company's objectives are being met. Circles would be transitory in nature. People can rotate roles with default term until circle disbands. Additionally, regular feedback loops and continuous improvement processes would be implemented to ensure that the organization is adapting and evolving to meet the changing needs of the business and its clients.

16.2 Double Linking Is the Key

According to Daft (1992), the concepts of implementing a circle structure over the traditional hierarchical structure and double linking between circles are not commonly found in the literature on organizational design and structure. The double linking concept, which involves representation of lower-level circles in higher-level circles through functional leaders and additional representatives chosen by consent, facilitates communication both upward and downward. This approach also allows for the flow of human capital in both directions, making it conducive to situational leadership.

Representatives (a.k.a Links)...

...stand for the interests of one circle in another circle

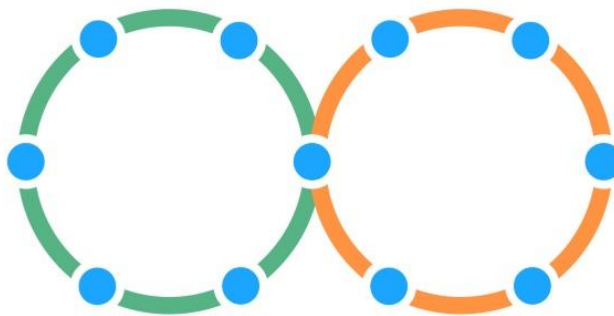


Figure 25 Linking Circle (Bockelbrink and Priest, 2015)

In the management model depicted in Figure 24, one member from each circle is connected to the general circle to facilitate the exchange of information and context between circles. These linking members are chosen through election to represent their circle in the next higher level, working from the bottom-up. By having separate individuals responsible for the top-down and bottom-up linkages, double-linking allows for the implementation of a feedback loop that is typically absent in a traditional hierarchical structure.

16.3 Electing People to Functions and Tasks:

This principle suggests that once it is understood what kind of functions and tasks need to be fulfilled the circle elects people to the positions of course by consent. This is also true for the

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double-linking. The Circle Representative or the linking member of each circle will be elected based on consent all members in the circle.

Author (Jutta Eckstein, 2016) explains the election process in a sociocracy circle.

This kind of election works as follows:

1. First, clarify and define the roles and responsibilities that need to be filled.
2. Invite everyone involved to propose a person for the position by writing their suggestion as "I, [name of proposer] propose [name of proposed]."
3. The facilitator collects the proposals and reads them out loud.
4. Each person provides a rationale for their proposal by saying, "I proposed [proposed name] because [reason]."
5. In the next round, each person can make changes to their proposal after hearing the reasons for all proposed candidates.
6. The facilitator summarizes the remaining suggestions and makes a proposal based on that summary, providing transparent rationale.
7. In the final round, each person is asked if they give their consent to the proposal or if they have any paramount reasoned objection. The person who has been proposed is asked last.
8. Celebrate the decision once it has been made.

16.4 Policy making in sociocracy circles:

The Sociocracy model places great importance on the distinction between policy formulation and policy implementation. Traditional organizations usually have top management make decisions about policy, with middle management involved in both formulation and implementation, while the workers carry out implementation. In contrast, each circle in Sociocracy creates its own policies, but these policies must be in line with the organization's goals and values that were established by the higher-level circle, or general circle.

Policy is made to frame, guide and support operations. It is made by the circle for itself and its domain. Policy is made by consent. Consent means that no voice inside the circle can be ignored. The circle hears all relevant input and sets a good foundation for working together by equivalence.

16.5 Consent Decision making:

There are different forms of decision making.

- One person (or a small group) decides:
- The majority decides.
- Consensus
- Sociocratic way: Concept of consent

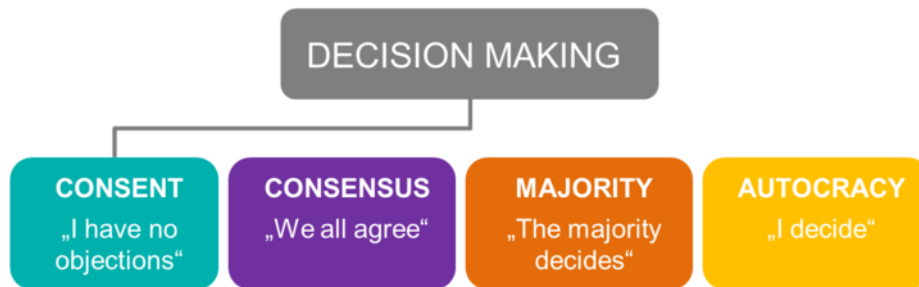


Figure 26 Sociocracy Decision Making (Beer, 2018)

Figure 28 demonstrates that Sociocracy allows decisions to be made by consent, involving everyone's agreement rather than majority vote. Jutta Eckstein (2016) emphasizes that even at the team level, implementing Sociocracy can enable shared decision-making and self-organization. By using consent during retrospectives, a team can achieve agreement on policy decisions. In agile environments with interconnected development teams, consent-based decision-making and electing a representative for retrospectives enhance agreement among all involved (Figure 29).



Figure 27 Consent Decision Making ("Sociocracy 3.0 Resources")

17 RISK & COST EVALUATION

17.1 Cost Analysis:

Cost Evaluation for Project Implementation in Transfers Team:

1. Employee Training: Cost of providing training to team members on the principles and practices of decentralized management and sociocracy.
2. Consulting Services: Cost of hiring external consultants to provide expertise and guidance in implementing the new management structure.
3. Change Management: Cost of conducting change management activities to ensure a smooth transition to the new management model.
4. Time Investment: Cost of allocating time and resources of team members and leaders for meetings, workshops, and training sessions related to the implementation.
5. Monitoring and Evaluation: Cost of regularly evaluating and monitoring the effectiveness of the new management structure and making necessary adjustments.
6. Opportunity Cost: Assessing the opportunity cost of investing resources in the new management model compared to other potential initiatives or projects.
7. Administrative and Overhead Costs: Any additional administrative or overhead costs associated with the implementation.
8. Long-Term Benefits: Estimation of the long-term benefits, such as improved performance, employee engagement, and scalability, that may outweigh the initial costs.

XYZ is committed to investing 5% of the total yearly salary in training and development for each employee, demonstrating our dedication to nurturing a skilled and empowered workforce. For the implementation of Sociocracy, we have allocated 65% of the training and development budget for this financial period, signifying our enthusiasm to embrace a decentralized management model in the Transfers Team. This phased approach allows us to closely monitor progress, gather feedback, and make informed decisions for further developments during the next budget session. Our prudent and data-driven strategy prioritizes team development, fostering a work culture that promotes collaboration, transparency, and innovation.

It is important to note that the cost evaluation will vary based on the specific scope and scale of the project, the size of the transfers team, and the extent of changes required in the current

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management structure. A thorough cost-benefit analysis should be conducted to assess the potential return on investment and the overall feasibility of the project implementation.

17.2 Risk Analysis:

Risk Evaluation for Project Implementation in Transfers Team:

1. **Resistance to Change:** Employees and managers may resist adopting a new decentralized management model, leading to challenges in implementation.
2. **Leadership Support:** Insufficient support from top-level management may hamper the successful implementation of the decentralized model.
3. **Resource Constraints:** Limited resources, such as time, budget, and expertise, could impact the thoroughness and effectiveness of the implementation process.
4. **Inadequate Training:** If employees do not receive proper training on sociocracy and decentralized management, it may result in confusion and suboptimal decision-making.
5. **Organizational Culture:** Existing culture may not align with decentralized management, posing challenges for fostering a collaborative work environment.
6. **Delayed Results:** It may take time for the benefits of the new management structure to manifest, and immediate results may not be evident.

we conducted a risk evaluation using a risk matrix. This matrix helps us visualize and prioritize potential risks based on their likelihood and impact on the project. Both the risk scoring, depicted in Table 2, and the risk matrix, shown in Figure 30, will serve as a valuable tool in guiding decision-making and ensuring a smooth and successful implementation of the new management approach in the transfers department.

Risk	Likelihood	Severity	Score
Resource constraint – R1	3	5	15
Resistance to change – R2	2	4	8
Inadequate Training – R3	3	3	9
Leadership Support – R3	2	3	6
Delayed Results – R4	1	3	3
Organization Culture – R5	4	4	16

Table 2 Risk Scoring

		SEVERITY →				
		1	2	3	4	5
LIKELIHOOD ↓	1	LOW 1	LOW 2	LOW 3 R5	MEDIUM 4	MEDIUM 5
	2	LOW 2	MEDIUM 4	MEDIUM 6 R4	HIGH 8 R2	HIGH 10
3	LOW 3	MEDIUM 6	HIGH 9 R3	HIGH 12	EXTREME 15 R1	
4	MEDIUM 4	HIGH 8	HIGH 12	HIGH 16 R6	EXTREME 20	
5	MEDIUM 5	HIGH 10	EXTREME 15	EXTREME 20	EXTREME 25	

Figure 28 Risk Matrix

To mitigate these risks, proper planning, clear communication, and stakeholder engagement are crucial. Conducting pilot tests and seeking feedback from team members during the implementation process can help address concerns and make necessary adjustments. Regular monitoring and evaluation will allow the team to identify and address potential issues promptly. Additionally, strong leadership support and a well-defined change management strategy are essential for successful project implementation.

Overall, the risks of implementing sociocracy can be mitigated through education and training, clear guidelines on roles and responsibilities, open communication and dialogue, and a phased approach to implementation. While there may be some risks associated with implementing sociocracy, the benefits of improved decision-making and increased employee engagement make it a worthwhile investment for many companies. Following Table 2 portrays the advantages and disadvantages of Dynamic Governance are presented as Buck and Endenburg portrayed them.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Promotes creativity and problem-solving. • Supports investors, management, and staff. • Speeds adaptation to change. • Engages every member's energy. • Generates high-quality products/services. • Increases staff commitment. • Results in fewer, more satisfying meetings. • Improves safety and reduces sick leave. • Raises cost awareness. • Enhances client orientation. • Decreases burnout risk. • Builds self-discipline. • Supports peer leadership. 	<ul style="list-style-type: none"> • Requires careful implementation planning. • Necessitates training in new concepts. • May arouse varying intense emotions during implementation (skepticism, elation, anxiety, excitement). • May initially be uncomfortable for those not accustomed to sharing the responsibility of difficult decisions.

Table 3 Advantages and Disadvantages of Dynamic Governance (Buck and Endenburg, 2012)

CONCLUSION:

The challenge of implementing self-organization can become more complex when scaling up. This is particularly true for larger projects or organizations. However, this thesis explores the implementation of Sociocracy in the Transfers Team as a starting point, with the intention of extending it to other department branches in future phases. Sociocracy discussed in this study provide a framework to facilitate its adoption. By initially focusing on the Transfers Team, we aim to assess the effectiveness of Sociocracy and its potential benefits. Successful results from this initial phase can pave the way for wider implementation across the organization in subsequent phases. Sociocracy offers a gradual step-by-step approach that enables organizations to make changes incrementally (Jutta Eckstein, 2016). Although Sociocracy was developed in the 1970s, it is only now, with the growing acceptance of flat management structure that it is being more widely discussed as a possible organizational model. Nonetheless, more research and practical experience are needed to determine how agile and Sociocracy can complement each other. Therefore, this thesis represents just one step towards exploring the potential benefits of combining these models.

In conclusion, this thesis explored the management structure of XYZ Wealth Management Company, with a specific focus on the Transfers Team. Through a thorough analysis of the current matrix management model, various challenges were identified, such as communication issues, workload management, and decision-making inefficiencies. These limitations highlighted the need for a more effective and adaptable management approach.

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Based on the findings and insights from the online survey and literature review, the proposal to adopt Sociocracy as a decentralized management model emerged as a viable solution. Sociocracy offers principles that promote collaborative decision-making, transparency, and equal participation, aligning with XYZ's ambition to foster growth and create limitless opportunities for its employees and customers.

The proposed Sociocracy model for the Transfers Team provides a visual representation of how this new approach can be integrated, empowering team members to actively participate in the decision-making processes and promoting a culture of innovation and continuous improvement. By addressing the identified challenges and embracing Sociocracy, XYZ Wealth Management can enhance performance, engagement, and scalability within the Transfers Team.

While implementing the proposed changes may present challenges, such as resistance to change and the need for proper training, the potential benefits far outweigh the risks. With careful planning and support from leadership, XYZ can navigate these obstacles and create a positive work environment that fosters collaboration, creativity, and employee satisfaction.

According to Agrawal and Ribot (1999), "Decentralization is not a panacea for all the problems of governance and development, but it can be a valuable tool for enhancing democracy, participation, and accountability". It is important to note that decentralization is not a one-time event, but rather a continuous process of redefining relationships among actors and institutions at different levels. As Agrawal and Ribot (1999) point out, "decentralization should be understood not as a one-time event but as a continuous process of redefining relationships among actors and institutions at different levels" (p. 44).

Overall, this thesis contributes valuable insights into the importance of effective management structures in wealth management companies. By embracing Sociocracy and empowering employees, XYZ can position itself for success in the fast-paced and competitive financial services industry, achieving its ambition of growth and providing limitless opportunities for its employees, customers, and the broader world.

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LIST OF ABBREVIATIONS

HPWP High-performance work practices
EY Ernst & Young Company

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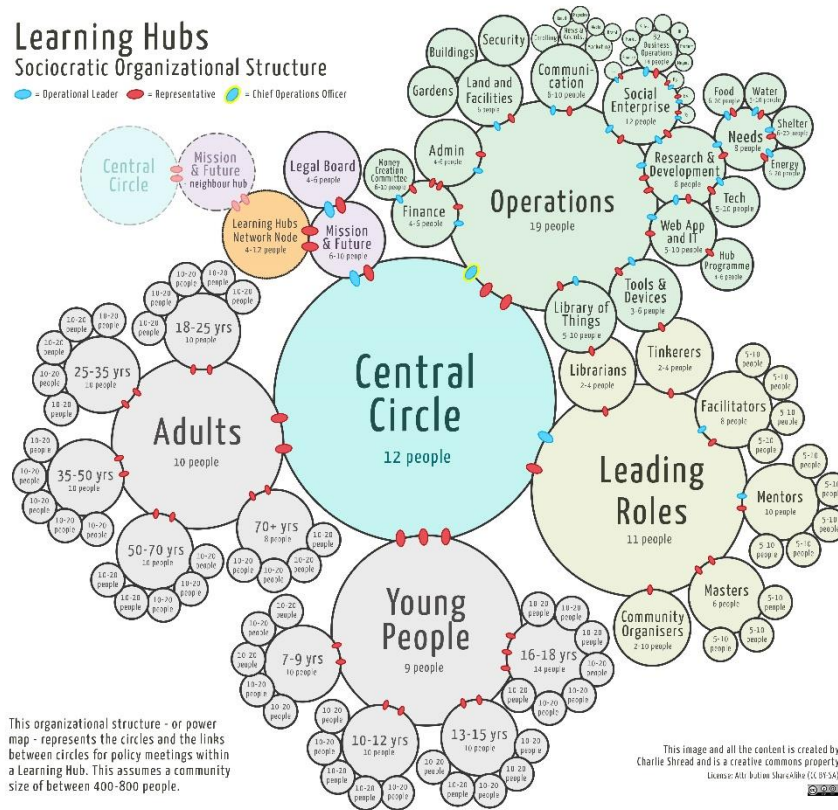
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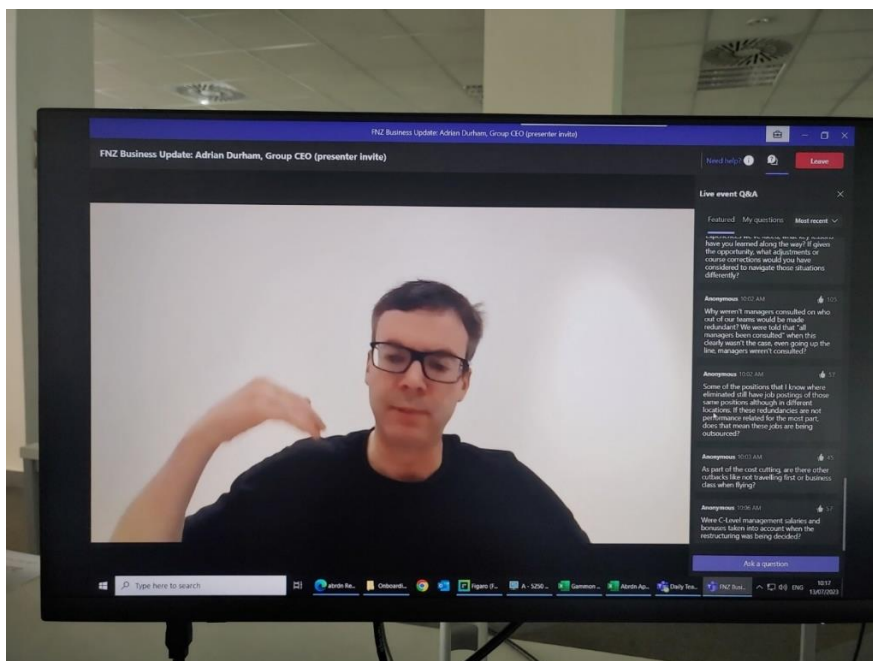
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APPENDICES

Appendix A Circle Structure Inspiration (Shread, 2019)

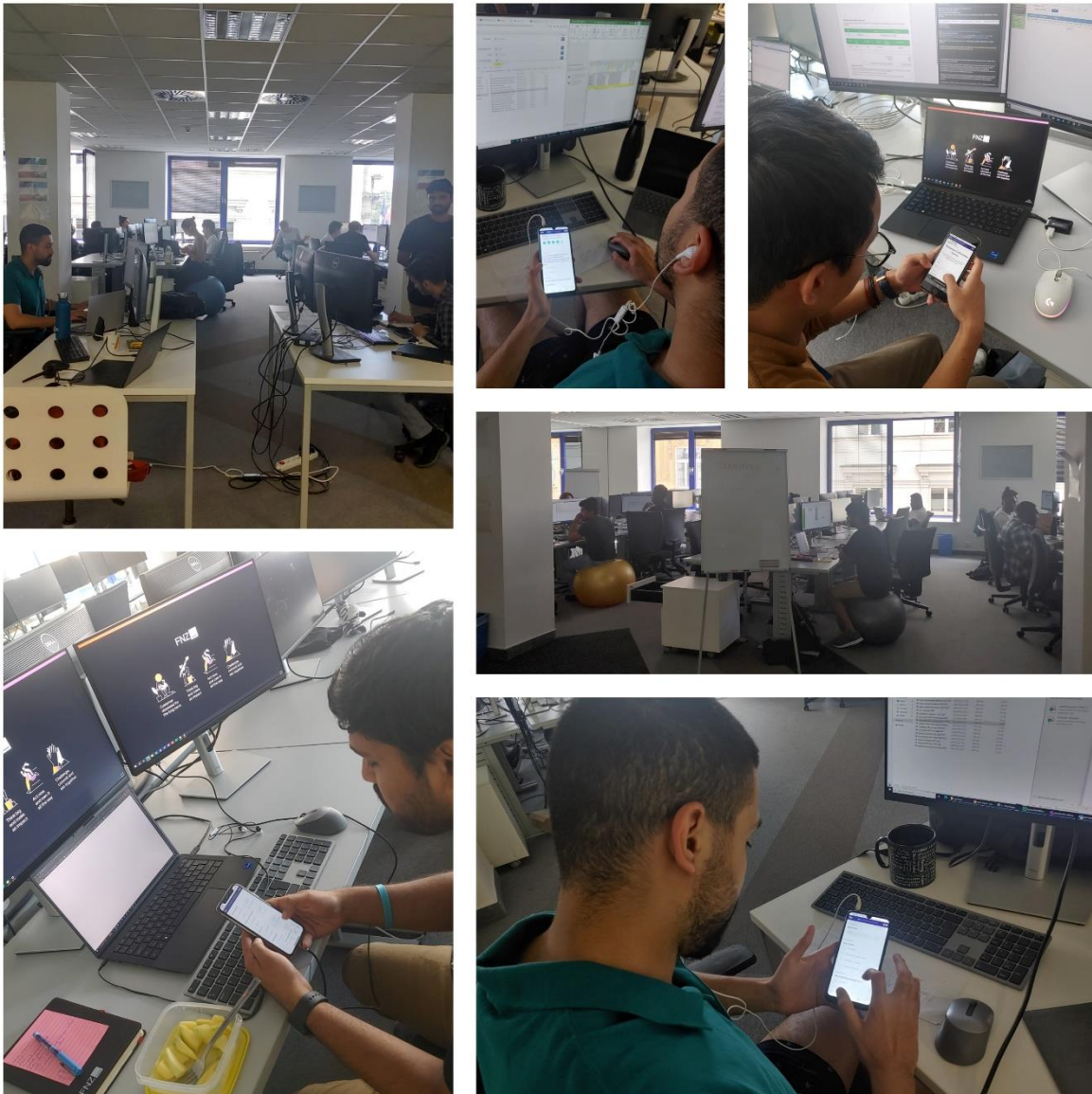


Appendix B Online meeting in XYZ with CEO & Employees on 13.07.2023



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Appendix C Employees participating in survey using their mobile phones.



Appendix D

Survey Link: [Workplace Satisfaction Survey \(surveyanalytica.com\)](https://surveyanalytica.com)

