

## BOOK REVIEW

# WHY MANAGERS MATTER: THE PERILS OF THE BOSSLESS COMPANY

NICOLAI J. FOSS AND PETER G. KLEIN  
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Nicolai Foss and Peter Klein are no strangers to the Austrian community for their continuing effort to incorporate Austrian ideas into management and organization, most notably their work on the role of entrepreneurship and the development of the judgment-based approach. Beyond that, however, both of them also made significant contributions to a wide range of other topics in organization and management. The book at hand is a great result of that work.

The book revolves around what the authors call the “bossless narrative,” the unsubstantiated claim that organization without hierarchy and management is superior and will soon be dominant in companies around the world. This claim is predominantly made in popular, practitioner focused literature and business school classes. Books about bossless approaches regularly make must-read lists. What these treatments are usually lacking is a

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theoretical foundation and rigorous research. Instead, they select bad examples of hierarchy and management and use them to argue that hierarchy and management are bad in general. This tends to lead to absurd statements. Foss and Klein provide an example from Hamel and Zanini (2016) who compare the managers-to-employee ratio of a few selected bossless companies to all the companies in the U.S. and conclude that more than 50 percent of all managers are unnecessary. Foss and Klein put this reasoning into perspective:

It's like observing that people who live in the tropics spend very little on winter clothing and heating equipment, computing how much is spent on those things by people who live in more temperate zones, and concluding that all that additional spending is wasted. We could save so much money if Alaskans lived like Floridians—even while living in Alaska. (268)

The authors' aim is to counter such statements with a well substantiated analysis and to provide a levelheaded entry to the overall discussion. They fully succeeded. Although critical about the bossless company, their reasoning is grounded in solid research and starts from the fundamental problems every organization faces. They do not cherry-pick a few examples of hierarchy gone bad, and complete self-organization gone right, to sell false promises.

The book has two parts. The first part is dedicated to a comprehensive review of organization without hierarchy and management, its origins and history, its relation to cultural change and the hopes and expectations associated with it. The story is told by critically analyzing the organizational designs of several of the most popular bossless companies like Zappos, Valve, Oticon and W.L. Gore. These cases are not merely illustrative devices but are embedded in the development of the core arguments presented in this first part. These arguments are a direct response to the claims made by proponents of the bossless narrative. First, the idea of flat or bossless organizations is nothing new but has a rich and thoughtful tradition in research and practice. Second, bossless companies are usually not as bossless as advertised because a) their specific design depends on a highly influential and devoted leader without whom the company quickly crumples, b) informal hierarchies replace formal ones and c) even a non-hierarchy has to be designed and implemented by someone. Third, and this is universally true for all organizations, organizational design is contingent on features of product, market and environment.

There is no one-size fit all and as basic economics teaches us, every organizational design has trade-offs.

The second part shifts the analysis to hierarchy, its theoretical foundations and empirical evidence. Again, the analysis is enriched by several organizational design cases and examples. The authors present hierarchy in a neutral manner as a solution to the fundamental problems of organizing, namely coordination and cooperation. They argue that these problems cannot just efficiently be solved by hierarchy and management but that they are the best known solution so far. Furthermore, Foss and Klein again directly address claims of the bossless narrative and persuasively show that adaptability, innovation and entrepreneurship in companies are not necessarily encumbered by a hierarchical structure, but may in fact profit from it, while too much decentralization on the other hand may lead to wasted effort. Moreover, they also show that the organizational design has indeed already changed to address important issues that have been raised by supporters of the bossless narrative. However, these changes do not abandon hierarchy and management, but adjust in a way that, for example, more strongly utilizes local knowledge of employees, while at the same time avoiding coordination problems. This may be done by reducing management layers but increasing the size of the top management team. Foss and Klein also present their thoughts on how hierarchy needs to change to address these justified issues: "The need for hierarchy isn't going away, but the form it takes is changing—deciding how things will be done rather than telling people what to do, designing and enforcing the rules of the game rather than making everyone play it in a certain way." (264)

The book is versatile and can be read in various ways. Firstly, in the intended way as a critique of a too-simplified view of hierarchy and management that leads to promises of a bossless future that cannot be kept and may lead companies astray, along with a positive presentation of hierarchy as solution to the fundamental problems of organizing to provide a more robust approach to management practitioners.

Secondly, it may be read as a series of critical reviews on various organizational designs without formal hierarchy and management. The book offers detailed accounts on the most famous examples like Valve (Chapter 2), Semco and W. L. Gore (Chapter 4), Zappos and

Spotify (Chapter 5), Oticon (Chapter 6), and Morningstar (Chapter 10). Foss and Klein analyze the core elements of the respective designs, place them within organizational theory and discuss how these designs worked out and why. These discussions also lend themselves nicely to being reread later on, especially after reading the second part of the book.

Thirdly, the second part also serves as quick yet solid overview of organizational design theory and history. Albeit this involves some manual skimming of the book Foss and Klein provide short and easily understandable introductions to major theories and thinkers of organizations and hierarchy like Max Weber, Herbert Simon or Oliver Williamson that do not require prerequisite knowledge.

Finally, despite addressing practitioners the book is also a great read for researchers in organizational theory and management. It provides a comprehensive analysis of hierarchical and non-hierarchical designs based on over a century of research, that highlights linkages across time that some researchers may not be aware of. Furthermore, the general topics of the book, especially a neutral view on hierarchy and management, as well as the importance of theory and careful research, are relevant reminders to academics also. It therefore can be a valuable starting point to dive into the existing literature to develop future theoretical and empirical research. Probably thinking of this purpose, the authors provided a complementary paper (Foss and Klein 2022) that provides more details on possible directions on future research, namely the need for more empirical data and under-developed areas in organization design theory.

Sensibly, the book also addresses practitioners in management and not directly other researchers.

In summary, the book is a worthwhile read for practitioners who are confronted with coordination and cooperation problems, employees who dream of a bossless workplace, and researchers who look for a discussion based on actual research instead of ideology. Managers, however, who hope to get some arguments for micro-management and authoritative leadership will be disappointed.

The book's focus is exposing the claims that the future of the company will be bossless and that this is good thing. While Foss and Klein did a great job in debunking these claims with careful research, many illustrative examples and critical thinking, the

book falls a bit short in recognizing the merits of the various flat organizational designs and the opportunities they offer to both management practitioners and academics.

We should not be too quick to dismiss successful examples as unique exceptions that only exist due to favorable circumstances but see them as valuable experiments and opportunities to learn. They may develop novel solutions to the coordination and cooperation problems they are facing. As Foss and Klein put front and center, it is all about fit and trade-offs. The exploding creativity that Oticon and Valve experienced may be exactly what some companies are looking for, even if it is only temporary or secluded from the rest of the organization. From that, they may discover ways to channel this creativity without being overwhelmed as Oticon. In fact, although Valve went through a similar phase of many started projects that never got anywhere, the employees became frustrated and themselves asked for a more structured approach but without abandoning the general organizational design. At least for one project this bottom-down induced call for managing was successful and Valve published their first big video game in over ten years (Möller and McCaffrey 2021). However, if this can be repeated or induces a significant shift in Valve's organizational design is unknown.

This is a general problem with bossless companies. We know little about them. The examples discussed by Foss and Klein are the most famous selection that has been analyzed by various authors. However, there are many more, successful and unsuccessful. For example, GitHub, a code-sharing platform, used an organizational design that was similar to Valve's but abandoned it as they grew. Like Zappos, Medium.com tried Holacracy but also moved to a more hierarchical system because they ran into coordination problems. On the other hand, Buurtzorg, only briefly mentioned by Foss and Klein, seems to do very well with self-organized and autonomous home care teams, and there are many more companies that experiment with various degrees of bosslessness. (See for example the "Bucket List" of "Corporate Rebels") Yet, we have only anecdotal information about them through blog posts and short interviews, which often lack the theoretical foundations of organization and perpetuate the bossless narrative and the idea that hierarchy and management are inherently bad. Foss and Klein (2022) fully agree that more sound empirical research is needed in a paper complementary to the book.

Finally, if we accept the well-grounded argument that hierarchy and management are the best solution to the fundamental problems of organizing, it still worthwhile to think about why we require one specific person, i.e. a manager, over a long period to perform that function. While the function is obviously important, it may be associated with a role that can be filled by different employees over a limited time depending on what needs to be managed. Foss and Klein only discuss highly specialized cases as “dynamic delegation.” However, it may be a way to connect the various supposedly “bossless” organizational design experiments to the theory of hierarchy and enter a dialogue that is beneficial to both sides.

Although the book is written for practitioners, it does not sacrifice scientific rigor, remains balanced, and presents its valuable content in an easily accessible manner. It is a book that needed to be written to prevent organizations and their managers from falling for unsubstantiated promises and making foreseeable mistakes. It is also a great reminder of the importance of solid research and economic thinking in business—a domain that is prone to trendy and flashy yet more often than not hollow concepts. Hopefully it gets the reach and the audience it deserves and is found by the readership who requires it.

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