



Preferences for Decentralized Organizing: A Negotiation Perspective

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Individual preferences for decentralized organizing can play an important role in explaining the existence and performance of “flat” firms like Valve and Buurtzorg, online communities (such as those engaged in open-source software development), and Decentralized Autonomous Organizations (DAOs). However, these preferences have not so far been systematically investigated. Through a series of studies, we document a robust pattern of preferences for highly decentralized decision-making about interpersonal interactions, but for highly centralized decision-making about compensation. For other design dimensions including task division, task allocation, and conflict resolution, intermediate levels of decentralization are preferred. To explain these patterns, we develop and validate a theoretical mechanism: individuals prefer greater centralization when they anticipate higher interpersonal conflict from decentralized negotiation processes. Through this mechanism, we explain variation in decentralization preferences across design dimensions. Our findings contribute to research on non-hierarchical organizations, social hierarchy, and negotiation.

Keywords: Decentralization; Negotiation; Hierarchy.

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Accounts of companies known for their decentralized modes of organizing, such as Buurtzorg, Valve, W.L. Gore emphasize the benefits of a match between their designs and the preferences of the employees who are carefully sorted into (and out of) them (Hamel, 2007; Laloux, 2014; Puranam and Hakkanson, 2015; also see Lee and Edmondson, 2017). This is compatible with the view that organization designs that align with the preferences of their members result in a range of valued outcomes, such as increased motivation, job satisfaction, performance, organizational commitment, and overall well-being (Hackman & Oldman, 1976; Kristof-Brown et al. 2005, Ryan & Deci, 2000). However, we lack systematic evidence on preferences for decentralized organizing.

In organizations, particularly large ones, multi-layered structures of authority coalesce into a formal hierarchy. However, there can be significant variations in the extent of centralization (i.e. the degree to which decision-making authority is concentrated), even for the same number of hierarchical levels (Puranam, 2018). As we explain, this is one of the reasons why prior literature on attitudes towards hierarchy (e.g., Magee & Galinsky, 2008; Anderson & Brown, 2010; Gruenfeld & Tiedens, 2010), while broadly relevant, does not directly advance our understanding of preferences for decentralized organizing. Further, there are more fundamental dimensions of organizing than the structure of authority relationships (e.g. how division of labor arises and how integration of effort is ensured- see March and Simon, 1993; Mintzberg, 1980; Burton and Obel, 1984, Puranam, 2018) and preferences for decentralization may not be uniform across these dimensions.

In a step towards addressing these limitations of prior work, the current research assesses individuals' preferences for the extent to which decisions about division of labor and integration of effort within the organizational units they inhabit (i.e. teams) are conducted in a decentralized manner. We rely on an established typology of dimensions of organizing (Puranam et al., 2014; Alexy et al, 2021) that decomposes division of labor and integration of

effort into five key problems: task division and task allocation (which together constitute division of labor), and information provision, compensation and exception resolution (which produce integration of effort). We use data from surveys, vignette studies and the World Values Survey database to understand preferences for decentralized organizing along these dimensions.

Through an initial set of studies (studies 1 and 2), we document systematic differences in preferences along the different dimensions of organizing. We find preferences for high decentralization in decisions about how information is shared through interaction among people, but for high *centralization* of decisions about compensation. On other dimensions of organizing, such as task division, task allocation and conflict resolution, we find a preference for intermediate levels of decentralization. Preferences for decentralized organizing thus display a more nuanced structure than formerly thought.

Next, we abductively develop a theory to explain this pattern: we propose that people prefer centralization along a dimension of organizing to a greater extent when they expect the negotiation processes necessitated by decentralized systems to entail greater interpersonal conflict. It is important to recognize that the lack of a single authority figure to make decisions (i.e. decentralization) does not necessarily result in greater autonomy for an organization's members; given the pervasive interdependence between people that characterizes organizations, decentralized decision making can involve conflict and even coercive control by peers (Barker, 2016). A preference for centralization, we argue, may arise from expectations of conflict and negotiation failures in peer-to-peer interactions that become necessary under decentralization.

A comparison that seems relevant is between Rousseau's concept of an egalitarian state (Rousseau, 1762) and Hobbes' notion of the Leviathan (Hobbes, 1894). Rousseau's vision of an egalitarian paradise suggests a context where minimal central authority is

necessary because individuals are inherently cooperative and motivated by shared communal values. In contrast, Hobbes' Leviathan represents a compelling argument for a centralized authority to avoid the chaos and conflict he assumes would arise from unregulated self-interest in the "state of nature". We propose that people's preferences for decentralization reflect their beliefs about that state of nature in their local organizational contexts, whether it is essentially Hobbesian or one closer to Rousseau's vision. These beliefs, combined with more fundamental preferences for how to operate in social contexts (e.g. such as autonomy, and relatedness in Ryan and Deci, 2017), we argue, can result in expressed preferences for decentralization in how to organize.

We test this theory by examining the correlational evidence on the relationship between expressed trust in peers and a tolerance for authority, gathered from the World Values Survey database (study 3), and in a final vignette study (study 4), we show that our theory can explain variation in preferences for decentralization across dimensions of organizing that we had earlier documented in Studies 1 and 2. Taken together, our findings have important implications for the design of organizations, particularly those that are "non-hierarchical" and "boss-less" in nature, and for research in the domains of social hierarchy and negotiation.

Related Prior Research and Theoretical Framework

A significant prior literature does study preferences for hierarchy, but this work has been inconclusive. For instance, in their review of the effects of hierarchical differentiation on a range of outcomes, including people's attitudes towards hierarchy, Anderson & Brown (2010) synthesize prior research to note that it reports uniformly worse attitudes towards hierarchical structures than flatter ones. This conclusion held across all three domains of literature that the authors reviewed: laboratory studies of stratification within teams, field studies of organization structure, and field studies of compensation systems. Consistent with

this view, other researchers have reported evidence of low levels of endorsement of cultural values that relate to hierarchy (Schwartz & Bardi, 2001), a strong aversion to micromanagement (Chambers, 2009), and a preference for decentralized decision-making procedures in collectives (Rutte & Wilke, 1985).

In contrast, Gruenfeld & Tiedens (2010) also review prior work to argue that people are psychologically drawn to organizations that are hierarchical because hierarchical differentiation (together with homogenization) facilitates the pursuit of important psychological needs. The authors cite evidence from various research streams to support this conclusion, including findings that document the pervasiveness of hierarchy (Mannix & Sauer, 2006), people's strong need to acquire power and influence (Anderson & Kilduff, 2009), and the relationship satisfaction enhancing effects of interactions that are complementary in terms of dominance and submission (Tiedens et al., 2007). Similarly, in their review pertaining to hierarchical differentiation along the dimensions of power and status, Magee & Galinsky (2008) note that certain widespread belief systems (e.g., the belief that those at the top of hierarchies are more competent, or the belief that people get what they deserve) reinforce power and status hierarchies, and that these belief systems in turn emerge from the need to rationalize the existing social order.

We argue that this existing work, despite being voluminous in nature, does not allow for a nuanced understanding of the nature and extent of people's preferences for decentralized organizing, for two reasons. First, there is an extremely high degree of heterogeneity within the existing literature in terms of how it conceptualizes hierarchy. Indeed, this work spans that pertaining to differences in status and power (Magee & Galinsky 2008), compensation systems (Bloom & Michel, 2002), behavioral expressions (e.g., those of dominance, Ridgeway, 1987), cultural values (Schwartz & Bardi, 2001), structure of organizations (e.g. tall vs. flat, Porter & Lawler, 1965), power differences in negotiation contexts (Greer et al.,

2018), and centrality of communication networks (Shaw, 1964), among others. It is likely that people's preferences for hierarchy differ based on the specific dimension along which the hierarchical order is conceptualized. This is perhaps the reason for the conflicting conclusions drawn by researchers such as Gruenfeld and Tiedens (2010) and Anderson and Brown (2010).

Second, while a sharper definition of hierarchy (e.g. as transitive, acyclic relations of authority- see Simon, 1962; Puranam, 2018) may make it easier to draw conclusions about attitudes towards it, such inferences are not necessarily informative about preferences for decentralization. The concepts of hierarchy and centralization are related, but they are distinct. Centralization refers to the distribution of influence across organizational members in terms of their capacity to affect collective behavior and outcomes. In a fully decentralized structure, influence is distributed uniformly across members, typically manifested through participative decision-making mechanisms such as group discussions and democratic voting procedures. Conversely, maximum centralization occurs when decision rights are concentrated in a single actor, such as when a team leader exercises complete control over group decisions.

A hierarchy of authority, in contrast, represents a multi-layered arrangement characterized by asymmetric influence relationships between organizational levels. While hierarchical structures tend to correlate with greater centralization relative to "flat" organizations, the relationship between these constructs is more nuanced than often assumed. The degree of centralization in hierarchical structures can vary substantially based on organizational design choices, particularly the extent of authority delegation.

For instance, a four-layer hierarchy with significant delegation of decision rights may exhibit lower effective centralization than a three-layer structure with tightly controlled authority. This counterintuitive possibility arises because centralization ultimately depends on the distribution of actual decision-making influence rather than structural arrangements alone.

Indeed, even nominally flat organizations with only two layers can manifest extreme centralization, as exemplified by panopticon-like structures where a single authority exercises comprehensive control over subordinate behavior. This implies that equating hierarchy with centralization (and non-hierarchical forms with decentralization) is an error. Although these dimensions often correlate positively, their relationship is neither deterministic nor uniform.

We turn next to our proposed conceptualization for measuring preferences for decentralized organizing.

Decentralized organizing: Key constructs and measures

To measure preferences for the extent of decentralization in organizing, we draw on the work of Puranam et al. (2014), who construe an organization's design as a set of specific solutions to universal problems of organizing (also see Puranam, 2018). The authors decomposed two well-established problems of organizing – *division of labor* and *integration of effort* (Mintzberg, 1980; Burton & Obel, 1984) into sub-dimensions that collectively capture key elements of organizing that are present in any organizational unit- from dyads and teams to entire corporations. These dimensions are (1) *Task Division*, which pertains to partitioning of the broad goals of the organizational unit into sub-tasks, (2) *Task Allocation*, which relates to assignment of sub-tasks produced via task division to members within the organizational unit (e.g., teams, business units within a company, individuals within a team), (3) *Distributing Rewards*, which motivates efforts of units and members, (4) *Information Flows*, whose nature determines the efficacy of coordination and execution across distinct units and members, and (5) *Exception Management*, which is distinct from the other four in that it relates to procedures and mechanisms in place to deal with failures of task division, allocation, distributing rewards, and information flows, as well as the selection and implementation of solutions *ab initio* to these problems.

Puranam et al. (2014) show that the existence of solutions to each of these problems is individually necessary and collectively sufficient for an organization (defined as a multi-actor, goal oriented entity) to exist. While these five problems of organizing are universal in that they need to be tackled by any organization, the specific solutions to these problems that a particular organization adopts vary. Through this lens, a large organization, such as a corporation, can be seen as consisting of numerous hierarchically nested micro-organizations (teams, business units, divisions, etc.), each of which face the same five universal problems of organizing but may adopt different solutions to these problems. These twin properties - universal applicability and a mutually exclusive yet collectively exhaustive set of problems of organizing, led us to adopt this framework to conceptualize the dimensions over which to measure preferences for decentralized organizing.

Because each of the problems of organizing requires a solution that takes the form of a set of potentially recurring decisions, an important aspect of organizing is the extent to which decision-making in terms of each of these five dimensions is centralized (vs. decentralized). Whereas centralization entails that decision-making authority is concentrated among one or few members within an organizational unit, decentralized decision making corresponds to a more uniform, diffuse distribution of authority. The goal of this research is to understand the extent to which people prefer centralized vs. decentralized decision making across each of these five dimensions of organizing and why they may do so.

Overview of Studies

We report four studies below. Pre-registered studies 1 and 2 were conducted to confirm findings from an initial set of exploratory studies. Although these exploratory studies were guided by an interest in understanding how preferences for decentralization vary across the different dimensions of organizing, we did not have clear ex-ante predictions in this regard. Findings from these studies yielded a set of patterns that we subsequently replicated

in large sample pre-registered confirmatory studies described below (i.e., studies 1 and 2¹). Findings from the exploratory studies are available from the authors upon request.

One robust pattern that we observe across studies 1 and 2 is a preference for strong decentralization in decisions about interpersonal interaction, but for highly centralized decision-making about compensation. For other design dimensions including task division, task allocation, and dispute resolution, intermediate levels of decentralization are indicated. To explain this pattern, we developed a theory that we tested with studies 3 and 4. The core premise of our argument is that variation in preferences for decentralization is accounted for by expectations regarding the extent to which decentralized structures produce conflict, such that the preference is weaker when expectation of conflict is high. Study 3 utilizes data from 7 waves of the World Values Survey (Haerpfer et al., 2022) to test this idea indirectly, by considering the association between trust in peers and tolerance for authority. Study 4 demonstrates that our theory explains the variation in preference for decentralization across the five dimensions that we observe in studies 1 and 2: we find that expectation of conflict is relatively strong for the *compensation* dimension and relatively weak for the *interaction* dimension, and that the variation in preferences for decentralization across dimensions can be explained by variation in expectations of conflict.

Study 1

Participants

Study 1 was conducted via the online platform Prolific Academic and was pre-registered. We requested 500 fully employed participants based in the US and the UK, and received a total of 534 responses. Following the pre-planned exclusion criteria, we removed observations with duplicate IP addresses, incomplete responses, or a failed attention check

¹ We conducted two additional pre-registered studies prior to studies 1 and 2 that followed designs similar to studies 1 and 2, respectively, but used an older version of our measures (which we refined later). Nonetheless, our findings remain very similar across the two sets of studies. Findings from the older studies are available from the authors upon request.

and analysed the remaining 490 responses. 55.10% of the participants were female. Average age was 36.79 years. 49.18% of the participants reported that they have no subordinates, 39.18% that they have at least one subordinate, and 11.63% that they manage at least one subordinate that also manages a subordinate.

Design and Procedure

The purpose of this study was to assess the degree of centralization people experience in their workplace interactions, whether they prefer levels of centralization that are higher, lower, or similar to what they actually experience, and how these preferences vary across different dimensions of organizing. We asked participants to report how centralized organizational units that they work in *are* and their preferences regarding how centralized these units *should* be with regard to each of the five dimensions of organizing: *task division*, *task allocation*, *dispute resolution*, *compensation*, and *interaction*.

Specifically, participants were first asked to briefly describe the typical team they are part of at work, which was indicated to be the team that participants found themselves to be involved in for the most significant part of their job. They were then asked to respond to two questions for each of the five dimensions: one pertained to how centralized the typical team they are part of is along the particular dimension, and the other pertained to how centralized they would prefer the typical team they are part of to be along that dimension. Responses were provided on a slider scale ranging from 0 to 100. A value of 0 corresponded to complete decentralization, whereas a value of 100 corresponded to complete centralization. For each dimension, participants saw the label for that dimension (e.g., “Task Division”) and a description of the scale end points. Participants were randomly assigned to see either the “actual” or the “preferred” questions first. They additionally responded to some other questions, such as those pertaining to their typical team (e.g., satisfaction with the team), and provided demographic information.

Results

Figure 1 plots the mean actual and preferred levels of centralization for each of the dimensions. Reported mean levels of *actual* centralization varied from 45.53 for *interaction* to 81.70 for *compensation*, and those for *preferred* centralization varied from 42.21 for *interaction* to 68.68 for *compensation*. Interestingly, for all five dimensions, preferred levels were lower than actual levels in terms of magnitude- indicting the existence of a generally unmet preference for decentralization in our sample.

We estimated a mixed-effects model to assess the effects of dimension and measure type (actual or preferred) on participant responses. Dimension and measure type were treated as fixed within-subject factors, and random intercepts were included at the participant level to account for within-participant correlation between responses. We use robust standard errors clustered at the participant level. Table 1 presents the results. The main effect of measure type was negative and statistically significant ($b = -6.61, p < .001$), indicating that participants preferred their teams to be less centralized than they actually are. Pairwise comparisons revealed that this was also the case for each of the five dimensions individually (all p 's < 0.01), i.e., participants preferred their teams to be less centralized than they actually are across all five dimensions of organizing. We also found that the difference across dimensions in terms of preferred levels of centralization were statistically significant at the .05 level for all pairwise comparisons. This also held true for actual levels of centralization.

Discussion

Findings from study 1 indicate that (1) people's preferences for decentralization differ based on whether decentralization pertains to *task division, task allocation, dispute resolution, compensation, or interaction*, (2) preference for decentralization is relatively strong in terms of *interaction* and relatively weak in terms of *compensation*, with moderate

levels for other dimensions. Study 2 assessed the generalizability of these patterns to the use of a different design paradigm.

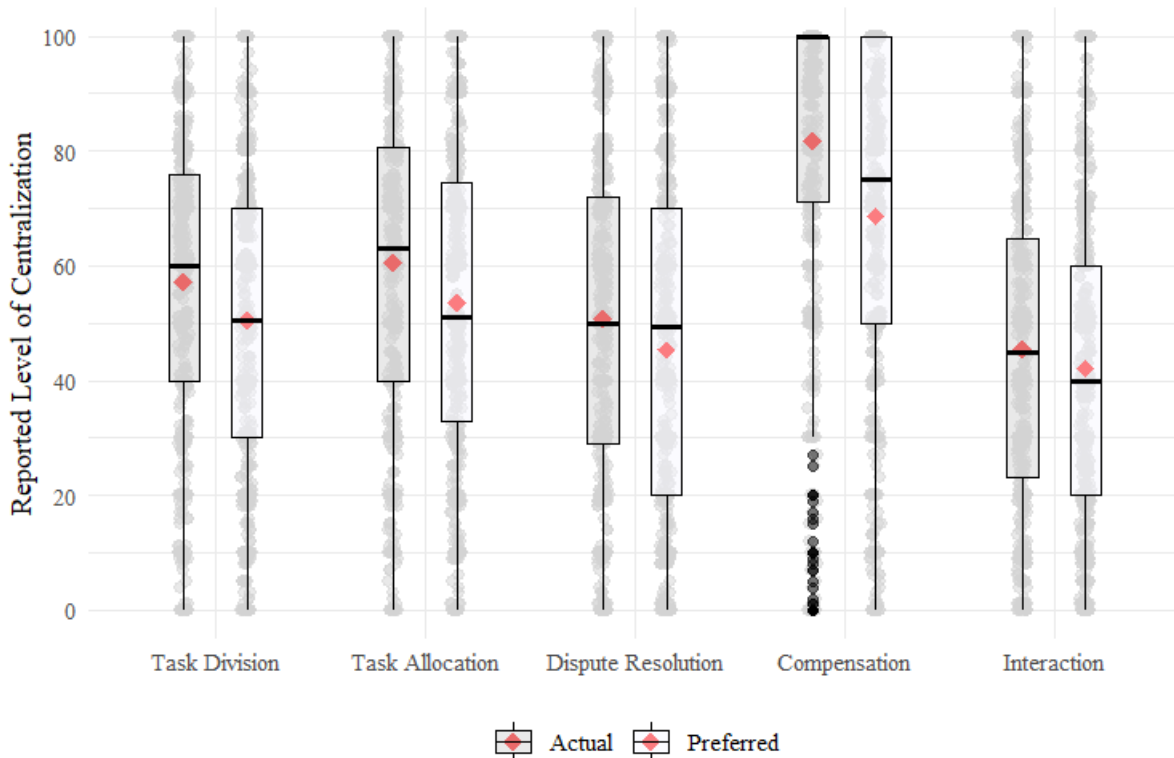


Figure 1. Box plots for *actual* and *preferred* centralization levels by dimension (study 1). The plot shows the median (horizontal line), interquartile range (IQR; box edges), whiskers, and outliers plotted. The red diamond-shaped dot represents the mean value. The overlaid jittered dot plots display individual data points to depict their distribution (by adding slight random noise to avoid overlap).

Table 1. Effects of dimension and measure type on centralization (study 1)

Variable	(2)
2.A1P2	-6.608*** (1.112)
2.Dimension	3.333** (1.181)
3.Dimension	-6.324*** (1.615)
4.Dimension	24.584*** (1.597)
5.Dimension	-11.588*** (1.590)
2.A1P2#2.Dimension	-0.196 (1.169)
2.A1P2#3.Dimension	1.147 (1.479)
2.A1P2#4.Dimension	-6.408*** (1.598)
2.A1P2#5.Dimension	3.290* (1.280)
Constant	57.120*** (1.177)
Observations	4,900
Wald χ^2 (df)	528.38*** (9)
Prob > χ^2	0.000

Notes. Dimension is coded as 1= *task division*, 2 = *task allocation*, 3 = *dispute resolution*, 4 = *compensation*, and 5 = *interaction* (reference group: 1). Measure type is coded as 1= *actual*, 2 = *preferred* (reference group: 1). Standard errors in parentheses. Significance levels: *** p<0.001, ** p<0.01, * p<0.05.

Study 2

Participants

Study 2 was also conducted via the online platform Prolific Academic and was pre-registered. We requested 800 fully employed participants based in the US and the UK, and received a total of 834 responses. We used the same pre-planned exclusion criteria as for study 1, and analysed the remaining 782 responses. 46.55% of the participants were female and the mean age was 37.55 years. 40.03% of the participants reported that they have no subordinates, 46.42% that they have at least one subordinate, and 13.55% that they manage at least one subordinate that also manages a subordinate.

Design and Procedure

One limitation of study 1 is that participants could have perceived there to be an association between the degree of centralization across dimensions. If so, reported preferred levels of centralization on a given dimension may have been influenced by their preference for centralization on other dimensions. In order to address this limitation, we adopted a different design for study 2, wherein we asked participants to choose between one of two teams that they could potentially join at an organization. We created several choice scenarios, and within each scenario, the teams were described as differing in terms of the degree of centralization on one of the five dimensions but centralized to the exact same extent in terms of the other 4 dimensions. Specifically, for each of the 5 dimensions, we created two scenarios – one wherein the two teams that the participants were prompted to choose from had centralization scores of 50 and 75 on a scale ranging from 0 to 100, and the other where the two teams had scores of 25 and 50. Centralization scores for other non-focal dimensions were always fixed at 50 for both teams. This resulted in a total of 10 unique scenarios (two for each of the five dimensions). In addition to choosing between the two teams, participants were asked to indicate how much additional compensation they would need to be offered in

order for them to be willing to join their less preferred team (in terms of a percentage on a scale ranging from 0 to 100%). Whereas participants' choices between teams allowed us to measure the frequency with which they prefer centralized structures, the compensation measure was aimed at measuring the strength of these preferences. To avoid fatigue, each participant was assigned 5 randomly selected choice scenarios out of a total of 10.

Results

Across scenarios and participants, we coded choices such that 0 indicated that the participant chose the less centralized team and 1 indicated that the participant chose the more centralized team. Overall, participants chose the less centralized team in 58.13% of the cases and the more centralized team in the remaining 41.87% of the cases. This indicates an overall mild majority preference for decentralized structures. However, the magnitude of the proportion of participants who chose the more centralized team varied substantially across dimensions (see Figure 2). Collapsed across the two types of scenarios for each of the dimensions, the proportion was highest for *compensation* (.46) and lowest for *interaction* (.32). The proportions for *task division*, *task allocation*, and *dispute resolution* were .45, .41, and .45, respectively.

We estimated a mixed-effects logit model with dimension as a fixed factor and random intercepts at the participant level to assess differences in participants' choices as a function of dimension (see Table 2). Post-hoc pairwise comparisons revealed that the proportion of participants who chose the more centralized team for the *interaction* dimension was significantly lower than the proportions for the other four dimensions. The corresponding proportion for *compensation* was higher than that for *task allocation* and *interaction*, but was not significantly different from that for *task division* and *dispute resolution*. The 95% confidence interval for the estimated proportion for only the *compensation* dimension included the value .5. Accounting for the variation in magnitude of proportions

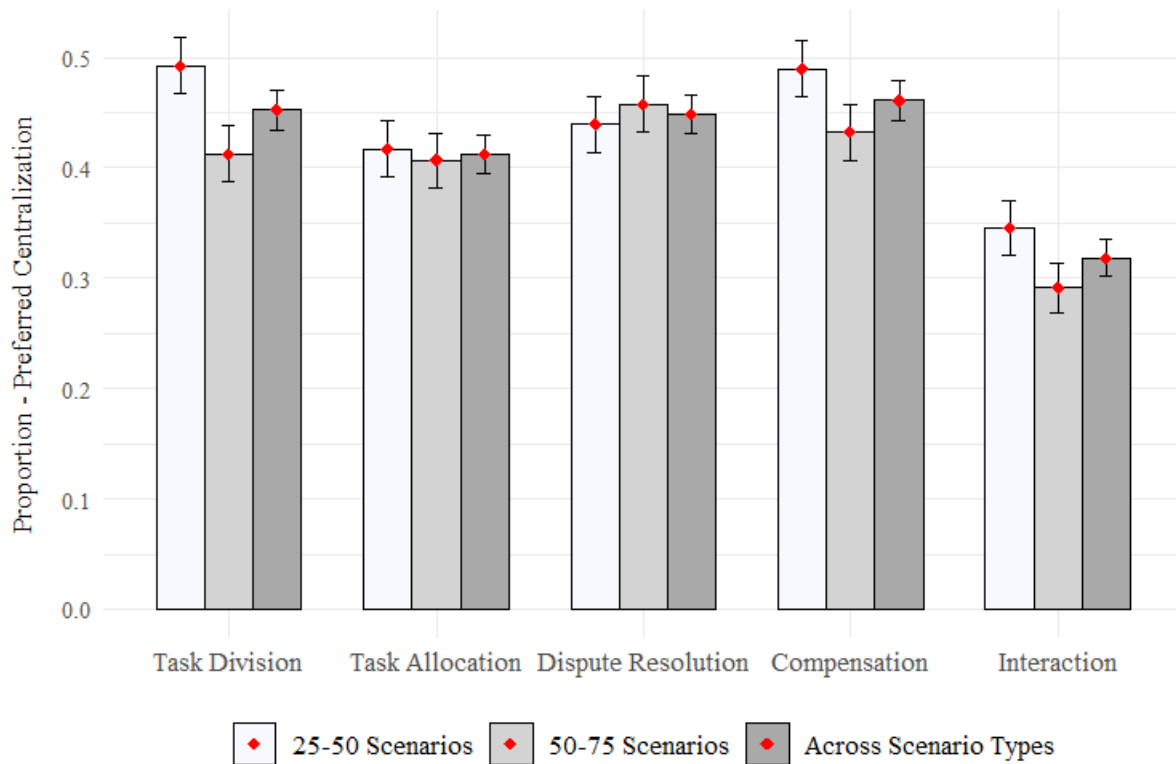


Figure 2. Proportions of participants who chose the more centralized team by scenario type (25-50, 50-75) and collapsed across the two scenarios for each dimension (study 2). The height of each bar represents the proportion, with the red diamond-shaped dot on top of the bar indicating the mean value. The error bars represent standard errors.

across dimensions, these findings suggest that a mild majority prefers decentralization for *task division*, *task allocation*, and *dispute resolution*, a vast majority prefers decentralization for *interaction*, and that participants were similarly likely to prefer centralization and decentralization for *compensation*.

To assess differences in participants' choices based on scenario type (i.e., the scenarios where the centralization scores of the two teams on the focal dimensions were 25 and 50 vs. 50 and 75), we estimated a mixed-effects logit model with scenario type as a fixed factor and random intercepts at the participant level. The effect of scenario type was negative and statistically significant ($b = -.20, p = .01$), indicating that participants were less likely to choose the more centralized team when choosing between teams with centralization scores of

50 and 75 than when choosing between teams with scores of 25 and 50. That is, participants were more likely to prefer the more centralized team when it was described as being relatively more moderate in terms of the degree of centralization.

Table 2. Effects of dimension on team choice (study 2)

Variable	
2.dimension	-0.266* (0.126)
3.dimension	0.058 (0.140)
4.dimension	0.111 (0.140)
5.dimension	-0.805*** (0.144)
Constant	-0.317** (0.113)
Observations	3,910
Wald χ^2 (df)	51.60*** (4)
Prob > χ^2	0.000

Notes. Dimension is coded as 1 = *task division*, 2 = *task allocation*, 3 = *dispute resolution*, 4 = *compensation*, and 5 = *interaction* (reference group: 1). Standard errors in parentheses. Significance levels: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$.

We next examined the strength of participants' preferences using responses to the switching pay measure (that is, how much additional % pay they would need to be offered to join their less preferred team). We estimated a linear mixed-effects model with dimension as a fixed within-subjects factor and random intercepts at the participant level. Pairwise comparisons revealed that reported switching pay levels for *compensation* were significantly higher than all other dimensions and those for *interaction* were significantly higher than all dimensions except *compensation*. These findings suggest that participants' preferences were stronger with regard to these two dimensions (vs. others). We also estimated separate models for cases where the participants chose the more centralized team and those where they chose

the less centralized team. When the more centralized team was preferred, reported switching pay levels for *compensation* were higher than that of *task division* and *task allocation*, marginally higher than for *interaction* ($p = .054$), and not significantly different from *dispute resolution* ($p = .35$). Those for interaction were not significantly different from *task division*, *task allocation*, and *dispute resolution*. When the less centralized team was preferred, reported switching pay levels for *interaction* and *compensation* were not significantly different, but were both higher than those for the other three dimensions.

Discussion

Findings from study 2 suggest that (1) people are least likely to prefer centralized structures in terms of *interaction* and most likely to prefer centralized structures in terms of *compensation*, (2) although a majority tends to prefer decentralized structures across other dimensions, this majority is mild in nature, and (3) people exhibit a tendency to prefer moderate levels of decentralization in that they are overall less likely to choose the more centralized team when the presented choice is between teams with centralization scores of 50 and 75 than when the choice is between teams with scores of 25 and 50.

These findings are in line with the patterns observed from study 1 in that that both studies indicate a relatively strong preference for centralization on the *compensation* dimension and a relatively strong preference for decentralization on the *interaction* dimension, with an intermediate preference in terms of the other dimensions. Both studies also suggest a tendency for people to prefer moderate levels of decentralization rather than a preference for extreme decentralization or extreme centralization (whereas study 1 shows moderation in terms of how centralized people would like their teams to be, study 2 shows moderation in terms of the proportion of people who prefer more centralized teams in the assessed scenarios).

Expectation of Conflict and the Preference for Centralization

Findings from studies 1 and 2 suggest that there is notable variation in people's preference for centralization across the five dimensions of organizing. Whereas the preference is relatively strong for *compensation*, it is weak for *interaction*, and intermediate for *task division*, *task allocation*, and *dispute resolution*. In this section, we outline a theoretical argument that would explain this pattern, and present tests of it with studies 3 and 4 in new samples.

We propose that the five dimensions of organizing differ in terms of the degree to which people expect a lack of centralization to produce conflict, and that preferences for centralization are stronger for dimensions for which expected conflict is higher. We draw on prior research in the domain of negotiation to make this claim. Several important theoretical perspectives on negotiation suggest that individuals can appropriate *value* in a negotiation context via two broad interpersonal processes – value claiming and value creation (e.g., Lax & Sebenius, 1987; Sebenius, 1992; Bazerman & Neale, 1993). Whereas value claiming entails benefitting at the expense of the other (or others in a multiparty negotiation context), value creation entails the collective search for pareto improvements among the feasible set of negotiated outcomes that, by definition, create joint gains. It is worth noting that here the term “value” is used broadly in that higher value results from outcomes that people desire, regardless of what they may specifically be.

Prior work has also extensively studied specific negotiation behaviours that facilitate value claiming and value creation. Effective value claiming strategies entail interpersonal competition because they facilitate benefitting at the expense of others. Examples include making extreme demands (e.g., Galinsky & Mussweiler, 2001), playing hardball with concessions (e.g., Tey et al., 2021), and exerting coalitional influence (e.g., Polzer et al., 1995). In contrast, effective value creation strategies emphasize cooperation that would

facilitate the search for mutually beneficial trade-offs. Examples include building trust (e.g., Lewicki & Polin, 2013), sharing and acquiring information about interests (e.g., Bazerman & Neale, 1993), and taking the perspective of the other (e.g., Trötschel et al., 2011). As a result, whereas value claiming strategies strain interpersonal relationships and cause conflict, value creation strategies strengthen relationships by making joint accomplishments salient.

Although an individual can choose to prioritize either value claiming or value creation strategies in any negotiation context, the effectiveness of each set of strategies (as measured via appropriation of value at the level of the individual) varies substantially across negotiation contexts based on the structure of interests of the involved parties. The greater the extent to which interests are misaligned across individuals, the higher the effectiveness of value claiming strategies relative to value creation strategies. In other words, the greater the degree to which mutually value enhancing pareto improvements are possible, the greater the effectiveness of value creation strategies relative to value claiming strategies (e.g., Bazerman & Neale, 1993).

An important feature of the conceptualization of the five dimensions of organizing we describe is that although low levels of centralization by definition entail a lack of authority, this does not translate to autonomy. Instead, low levels of centralization entail the need to collectively determine solutions to problems of organizing. In other words, absence of centralization would imply that the value that individuals derive by being members of an organizational unit would depend to a greater extent on the outcomes of a set of recurrent (dyadic or multiparty) negotiations they are involved in. We propose that the five dimensions of organizing differ in terms of the extent to which individuals perceive corresponding negotiation processes to involve misalignment of interests, and, in turn, as being conflict-prone.

We argue that negotiation processes relating to the *compensation* dimension are likely to be seen as involving high misalignment of interests and high levels of interpersonal conflict. To the extent that available monetary resources to be allocated are constrained, negotiating their allocation across members will necessarily involve a situation that approaches a zero-sum setting with completely disparate interests. In addition to the allocation of monetary rewards, which should be particularly salient, allocation of other less tangible rewards, such as informal status, should also be seen as relatively zero-sum given that people evaluate their own social worthiness in relation to others (e.g., Festinger, 1954). These characteristics should lead members to see negotiation processes relating to *compensation* as being relatively competitive and entailing high levels of interpersonal conflict. In contrast, negotiation processes related to the *interaction* dimension should be seen as involving high alignment of interests and low levels of interpersonal conflict. Among other forms of communication, *interaction* relates to the provision and acquisition of information that would allow for mutually value-enhancing coordination that facilitates the pursuit of valued individual and organizational goals (e.g., greater efficiency in terms of task completion for all involved members). Moreover, communication in situations where a tangible goal is less salient (e.g., an informal social interaction among members) can still serve intangible needs, such as those related to belongingness (Baumeister & Leary, 2017), simultaneously for multiple members. These characteristics should lead people to see negotiation processes related to *interaction* as being more cooperative and entailing low levels of conflict.

We argue that negotiation processes associated with *task division*, *task allocation*, and *dispute resolution* should be seen as involving intermediate levels of interpersonal conflict. Both *task division* and *task allocation* correspond to domains that should entail partial alignment of interests. For example, with regard to *task division*, team members may reach

similar judgments regarding what specific steps must be completed before a new product is ready for launch, but at the same time might disagree about the order in which these steps should be completed. Similarly, with regard to *task allocation*, while members A and B might agree that A should complete task X and B should complete task Y, they might both believe that the other should complete task Z. Expectations of conflict with regard to *dispute resolution* should be based on people's beliefs regarding how misaligned people's interests are in the context of disagreements and disputes *in general*. Such prototypes should naturally involve elements of both alignment and misalignment of interests.

These differences in expectations of conflict should in turn influence people's preference for centralization across the five dimensions. We argue that this preference should be weaker when expectation of conflict is low. We base this assertion on prior work that suggests that people tend to avoid conflict (e.g., Asch, 2016; Janis, 2008). We believe that this tendency is likely to be even stronger in organizational contexts, which often involve enduring interdependence and reliance on long-term relationships that are vulnerable to being undermined by interpersonal conflict.

Taken together, these arguments yield the prediction that people expect relatively high levels of conflict with regard to the *compensation* dimension, relatively low levels of conflict with regard to the *interaction* dimension, and intermediate levels of conflict with regard to the other three dimensions. Preference for centralization across dimensions, as already demonstrated in studies 1 and 2, are also predicted to follow a similar pattern across dimensions as per our arguments.

We test these arguments in two steps. First, we examine the association between expectation of conflict and acceptance of centralization and authority in naturally occurring data (study 3). Second, we conduct an additional study to test the logic by measuring

expectations of conflict and preference for centralization across dimensions of organizing (study 4).

Study 3

Method

This study utilized individual-level data from the World Values Survey (Haerpfer et al., 2022). The World Values Survey (WVS) is a global research endeavour that periodically assesses people's values, beliefs, and social attitudes pertaining to issues such as democracy, politics, religion, gender equality, and well-being. Available data spans seven waves of surveys conducted with numerous participants from a diverse set of countries, with the latest wave covering more than 80,000 respondents from 64 countries. Whereas the first wave of data was collected during 1981-1984, the most recent wave was completed during the years 2017-2022. We test our predictions using data from each wave individually as well as across all seven waves.

Preference for centralization. We measure preference for centralization using a single item from a set of questions that asked respondents to indicate whether certain changes in the future if they were to happen, would be a “Good thing” (1), they “Don’t mind” (2), or a “Bad thing” (3). The specific item we use corresponds to future change in the form of “Greater respect for authority”. This measure aligns closely with our conceptualization of preference for centralization (with lower levels indicating a stronger preference), defined as the preference for greater concentration of influence in a social context.

Expected conflict. We measure generalized expectation of conflict with others using the item “*Generally speaking, would you say that most people can be trusted or that you need be very careful in dealing with people?*” (1- *Most people can be trusted* or 2 – *Need to be very careful*). This measure aligns well with our conceptualization of expected conflict as

trusting others to a lesser extent should relate closely to how much conflict one anticipates within that context.

Controls. We control for the effects of participants' age, gender, political ideology, and income level.

Results

Table 3 reports results from linear regression models fitted over the data from all waves collectively as well as each of the seven waves individually. We find that the coefficient of *Trust* is negative and statistically significant for all waves except wave 1 as well as for all seven waves collectively. In terms of the specific measures we utilize, we find that those who believe they “need to be very careful” with regard to trusting others are more likely to believe that greater respect for authority in the future would constitute a “good thing”. Stated in terms of our conceptualization of expected conflict and preference for centralisation (as detailed above), the results suggest that those who reported higher levels of expected conflict exhibit a stronger preference for centralization. We find very similar results across a range of other specifications, including those that include country fixed effects and those without covariates.

Discussion

Findings from study 3 are consistent with our core premise that people's preference for centralization is stronger in contexts in which they perceive there to be higher levels of interpersonal conflict. Whereas these findings establish a positive association between expectations of conflict and preference for centralization, they do not constitute a test of our prediction that the relatively strong preference for centralization for *compensation* and the relatively weak preference for centralization for *interaction* that we document in studies 1

Table 3. *Effects of Generalised trust in others on Preference for Greater respect for authority across various waves of the World Values Survey*

Variable	Wave 1	Wave 2	Wave 3	Wave 4	Wave 5	Wave 6	Wave 7	All Waves
2.trust	0.003 (0.049)	-0.125*** (0.014)	-0.185*** (0.008)	-0.108*** (0.009)	-0.207*** (0.008)	-0.148*** (0.007)	-0.158*** (0.007)	-0.163*** (0.003)
age	-0.003 (0.002)	-0.004*** (0.000)	-0.002*** (0.000)	0.001*** (0.000)	-0.000 (0.000)	0.001*** (0.000)	-0.000 (0.000)	-0.000** (0.000)
2.gender	-0.088 (0.049)	0.005 (0.012)	0.014* (0.007)	-0.003 (0.008)	-0.004 (0.007)	-0.024*** (0.006)	-0.009 (0.006)	-0.006* (0.003)
ideology	-0.014 (0.013)	0.004 (0.003)	-0.029*** (0.001)	-0.017*** (0.001)	-0.015*** (0.001)	-0.013*** (0.001)	-0.032*** (0.001)	-0.021*** (0.001)
2.incomelevel	-0.128* (0.061)	0.068*** (0.013)	0.081*** (0.007)	0.102*** (0.008)	0.099*** (0.007)	0.020** (0.006)	0.007 (0.007)	0.063*** (0.003)
3.incomelevel	0.147* (0.070)	0.063** (0.022)	0.171*** (0.010)	0.087*** (0.013)	0.148*** (0.011)	0.052*** (0.010)	-0.040*** (0.011)	0.092*** (0.005)
Constant	2.250*** (0.113)	1.731*** (0.026)	1.855*** (0.015)	1.558*** (0.017)	1.699*** (0.015)	1.666*** (0.013)	1.892*** (0.014)	1.737*** (0.006)
Observations	1,356	15,919	47,030	32,914	46,849	63,193	64,398	271,659
R-squared	0.022	0.014	0.033	0.014	0.026	0.012	0.020	0.017

Notes. Trust is coded as 1 = *Most people can be trusted*, 2 = *Need to be very careful* (reference group: 1). Gender is coded as 1 = *Male*, 2 = *Female* (reference group: 1). Ideology measures respondents' political views on a 10-point scale, with 1 indicating left and 10 indicating right. Income level is coded as 1 = *Low*, 2 = *Medium*, 3 = *High* (reference group: 1). Observations are lower than the total available for each wave due to missing values for one or more of the variables. Standard errors in parentheses. Significance levels: *** p<0.001, ** p<0.01, * p<0.05.

and 2 result from a difference in expected conflict across these dimensions specifically. Study 4 was aimed at fulfilling this purpose.

Study 4

Participants

This study was pre-registered. We requested 500 fully employed participants based in the US and the UK via the platform Prolific Academic, and received a total of 542 responses. As with studies 1 and 2, we removed observations with duplicate IP addresses, incomplete responses, or a failed attention check, and analysed the remaining 472 responses. 48.73% were female and the average age was 37.43 years. 39.19% of the participants reported that they have no subordinates, 44.92 % that they have at least one subordinate, and 15.89 % that they manage at least one subordinate that also manages a subordinate.

Design and Procedure

This study was designed to evaluate our prediction that people expect decentralization to produce relatively high levels of conflict on the *compensation* dimension and relatively low levels of conflict on the *interaction* dimension, which in turn explains people's relatively strong and weak preference for centralization on these dimensions, respectively. More generally, we assess whether the extent to which people prefer centralization in terms of the five dimensions of organizing we study relates to the degree to which they expect decentralization along those dimensions to produce conflict.

Like with study 1, participants were first asked to describe the typical team they are part of at work in 2-3 sentences. Thereafter, they responded to two sets of measures, each consisting of five items, one corresponding to each of the five dimensions. The first set of five items measured expectation of conflict for each of the dimensions and the second set measured the preference for centralization for each of the dimensions. Specifically,

the first set measured the extent to which participants believe that collective determination of solutions to the particular problem of organizing would result in conflict. The second set of five items, which measured the preference for centralization for each of the dimensions, was the same as that utilized for study 1. Thereafter, participants were asked to report measures corresponding to certain social beliefs and attitudes as well as demographic information.

Results

Figure 3 plots expected conflict and preference for centralization for each of the five dimensions. Preference for centralization exhibits a pattern similar to that obtained from study 1 in that the preference is strongest for the *compensation* dimension ($M = 72.62$, $SD = 25.48$) and weakest for the *interaction* dimension ($M = 42.82$, $SD = 27.45$), with intermediate levels of preference for other dimensions. Variation across dimensions in terms of expected conflict also demonstrated a very similar pattern: participants expected conflict to the greatest extent in terms of *compensation* ($M = 3.95$, $SD = 1.76$) and to the least extent in terms of *interaction* ($M = 2.17$, $SD = 1.36$), with intermediate levels of expected conflict in terms of the other dimensions.

We estimated separate mixed linear models to assess the relationship between dimension, expected conflict, and preference for centralization (see Table 4). Models 1, 2, 3 present results pertaining to the effects of dimension on expected conflict, dimension on preference, and dimension and expected conflict on preference, respectively. Random intercepts at the participant level were included for all models.

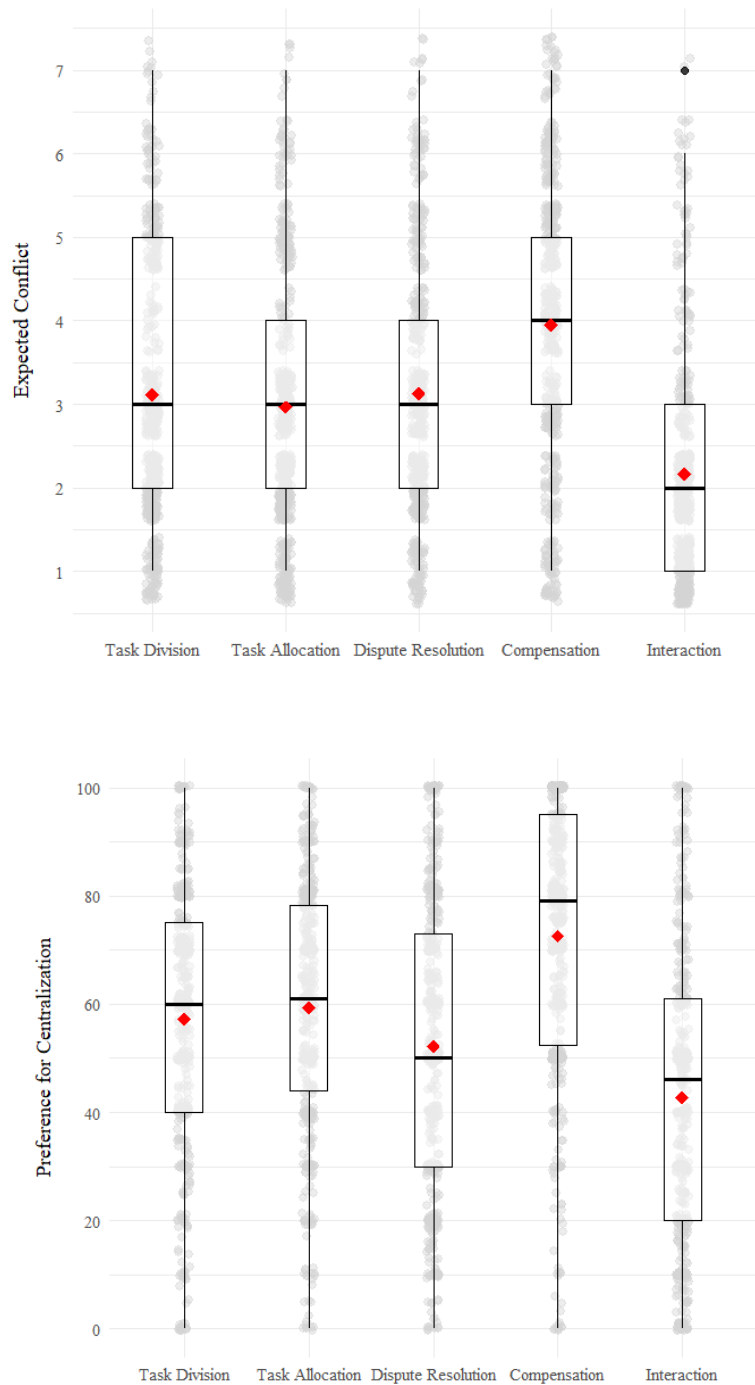


Figure 3. Box plots for *expected conflict* and *preference for centralization* by dimension (Study 4). The plot shows the median (horizontal line), interquartile range (IQR; box edges), whiskers, and outliers plotted. The red diamond-shaped dot represents the mean value. The overlaid jittered dot plots display individual data points to depict their distribution (by adding slight random noise to avoid overlap).

Pairwise comparisons following model 1 indicated that expected conflict was significantly different across all comparisons except that between *task division* and *dispute resolution*.

Pairwise comparisons following model 2 indicated that preference for centralization was significantly different across all comparisons.

Table 4. Effects of dimension on expected conflict (model 1), dimension on preference (model 2), and dimension and expected conflict on preference (model 3).

Variable	(1)	(2)	(3)
2.dimension	-0.148** (0.051)	2.174* (1.045)	2.587* (1.054)
3.dimension	0.019 (0.067)	-5.042*** (1.511)	-5.095*** (1.517)
4.dimension	0.835*** (0.083)	15.400*** (1.407)	13.075*** (1.482)
5.dimension	-0.943*** (0.063)	-14.403*** (1.580)	-11.776*** (1.606)
Expected conflict			2.786*** (0.409)
Constant	3.114*** (0.075)	57.220*** (1.128)	48.545*** (1.675)
Observations	2,360	2,360	2,360
Wald χ^2 (df)	565.85*** (4)	319.15*** (4)	400.4*** (5)
Prob > χ^2	0.000	0.000	0.000

Notes. Dimension is coded as 1 = *task division*, 2 = *task allocation*, 3 = *dispute resolution*, 4 = *compensation*, and 5 = *interaction* (reference group: 1). Standard errors in parentheses. Significance levels: *** p<0.001, ** p<0.01, * p<0.05.

To assess whether the effect of dimension on preference for centralization that is mediated via expected conflict differed across dimensions, we estimated indirect effects of dimension on preference by multiplying the effects of dimension on expected conflict from model 1 by the effect of expected conflict on preference from model 3, and subsequently estimating differences in indirect effects across each pair of dimensions. Note that our models assume a distinct effect of each dimension on expected conflict and a uniform effect of

conflict on preference. We used bootstrapped confidence intervals to evaluate the significance of the differences in indirect effects (see Table 5). We find that all pairwise differences in indirect effects except that between dispute resolution and task division are significant, which in turn suggests that variation in preference for centralization across dimensions can at least in part be accounted for by different levels of expectations of conflict associated with each dimension.

Table 5. Differences in indirect effects of Dimension on Preference for Centralization across dimensions

Variable	(1)
ta vs. td	-0.413* (0.185)
dr vs td	0.053 (0.199)
comp vs td	2.325*** (0.397)
int vs td	-2.626*** (0.373)
ta vs. dr	-0.466* (0.214)
ta vs. comp	-2.738*** (0.431)
ta vs. int	2.213*** (0.339)
dr vs. comp	-2.272*** (0.375)
dr vs. int	2.679*** (0.409)
comp vs. int	4.951*** (0.689)

Notes. Dimensions are coded as td = *task division*, ta = *task allocation*, dr = *dispute resolution*, comp = *compensation*, and int = *interaction*. Standard errors in parentheses. Significance levels: *** p<0.001, ** p<0.01, * p<0.05.

Discussion

Findings from study 4 are consistent with our proposition that variation in preferences across the five dimensions of organizing can be explained by the extent to which people expect a lack of centralization in terms of these dimensions to result in conflict. They also further reinforce the more general conclusion that people prefer higher levels of centralization in contexts characterized by greater conflict.

General Discussion

We undertake a series of studies that assess people's preferences for decentralization with regard to different dimensions of organizing. Studies 1 and 2 suggest a robust pattern: people's preferences for centralization are relatively strong in the domain of *compensation*, which relates to allocation of rewards, and for decentralization in the domain of *interaction*, which relates to communication between members. Preferences for decentralization in the domains of *task division*, *task allocation*, and *dispute resolution*, which relate to translation of broader goals into subtasks, allocation of tasks across members, and resolution of exigencies and disputes, respectively, are intermediate in strength. We develop a theoretical framework to explain this variation. We argue that rather than being unconditional, people's preferences for decentralization vary across contexts based on their expectation of the degree of conflict associated with decentralization.

Study 3 finds support for this prediction based on analysis of a large scale survey of individuals' social and political attitudes that shows that those who believe that people can't be trusted in general are more likely to believe that greater respect for authority would constitute a desirable change. Study 4 additionally demonstrates that the five dimensions of organizing that we study vary systematically with regard to how much conflict people expect decentralization to produce, such that expected conflict is relatively high for *compensation* and relatively low for *interaction*. In turn, this suggests that variation in preferences across

dimensions that we document in studies 1 and 2 can be accounted for by our theoretical framework.

Much as people who differ in their world values – whether they align with Rousseau’s or Hobbes’ vision of the state of decentralized systems- may have differing attitudes towards the Leviathan, our findings suggest that people’s preferences for centralization in organizational settings are similarly contingent on their expectations about the inherent conflicts associated with decentralization. Where individuals anticipate high levels of conflict — analogous to Hobbes’ anarchic state of nature — they may favour centralization as a means to maintain order and predictability. However, in contexts where cooperative behaviour and shared goals are expected — resembling Rousseau’s idealized state — preferences may shift toward decentralization, reflecting confidence in decentralized decision-making processes and the alignment of interests among members. Thus, we extend our theoretical framework by incorporating these philosophical archetypes to explain variations in preferences for organizational centralization.

Our findings have implications for prior work that has evaluated attitudes toward hierarchy. As noted earlier, prior research has adopted a very broad conceptualization of hierarchical differentiation that incorporates differences along a very heterogeneous set of dimensions. Moreover, reviews that synthesize prior work in this domain have reached contrasting conclusions (Anderson & Brown, 2010; Gruenfeld & Tiedens, 2010). This indicates that the extent to which people prefer hierarchical structures likely depends on the specific manner in which hierarchy is conceptualized. Our work is relevant to assess preferences for hierarchical differentiation conceptualized as the concentration of influence in organizational units, and documents and explains differences in the strength of these preferences across different domains of organizing. In doing so, this research contextualizes

the assessment of people's attitudes towards hierarchical differentiation in organizational contexts.

Because designers of organizations are likely to have a relatively high degree of control over levels of centralization along the dimensions of organizing we study (e.g., through formal authority structures that allow for delegation to varying degrees across domains), our work also has important implications for the design of organizations. There has been sustained interest in “boss-less” modes of organizing that lack a formal authority structure, such as self-managed teams or “flat” organizations (see Lee & Edmondson, 2017 for a review). Observers have focused attention on open-source communities (Tushman, Lakhani, & Lifshitz-Assaf, 2012; Hippel & Krogh, 2003), boss-less organizations (Burton et al., 2017; Puranam & Håkansson, 2015), and holacracies (Robertson, 2015). Among the advantages of such structures over traditional ones, scholars have emphasized higher levels of autonomy, which in turn drive greater intrinsic motivation and job satisfaction (Lee & Edmondson, 2017; Hackman & Oldham, 1976; Ryan & Deci, 2000).

Our conceptualization of decentralization in terms of the five dimensions of organizing makes it explicit that decentralized structures do not necessarily entail autonomy. Because the basic problems of organizing necessarily need to be solved for an organization to exist, the absence of formal hierarchies of authority is likely to constrain autonomy through an alternative mechanism: dependence on others to negotiate solutions to various problems of organizing. To the extent that the associated constraints on autonomy are more severe than those imposed by formal authority hierarchies in a particular context, one would expect the lack of formal authority hierarchies to potentially reduce intrinsic motivation and job satisfaction. The overall *mild* preference for decentralized structures that we observe across participants from a diverse and numerous set of teams in studies 1 and 2 appears consistent with this explanation.

Our findings also strongly emphasize the importance of viewing lack of centralization in terms of the specific domain it manifests in. They suggest that members may sort out of organizations that are designed at odds with their preferences, such as those with a very decentralized determination of rewards or very centralized communication between members. In such a scenario, organizations can choose to redesign their structure to align with their members' preferences or to hire individuals who constitute a "fit" with their existing structure. Indeed, popular accounts of "flat" companies like Valve, Zappos, and W.L. Gore emphasize that their cultures produce lowered expectations of conflict among peers, and this is complementary to a decentralized organization design. This suggests that it is not only the sorting on unconditional preference for decentralization or autonomy that may matter, but rather the collective selection into the organization of people who know that all of them share a common preference for decentralization, or socialization practices that make expectations of peer-to-peer conflicts significantly lower.

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