

Going to the Flat Format

The Move from Hierarchical to Non-Hierarchical Organizations

Nonhierarchical organizations have many advantages over businesses that follow the same conventional structure. For example, experience and expertise are often shared; creativity and new ideas are fostered, tested and discussed. These organizations collaborate and more function as a cohesive unit, highly supportive of multiple stakeholders in global environments.



With the advantages, there are also disadvantages to these nonhierarchical or flatter organizations. The ability to implement decisions can be difficult due to the multiple constituencies that need to be served. The team-based philosophy can delay many important decision-making processes due to both geographic displacement of the personnel involved and the electronic networks.

MANAGING IN HIERARCHICAL ORGANIZATIONS

Realizing the Value of the Flatter Organization

Historically, companies and organizations are set up through a number of classical management principles. Work rules are specifically written and enforced through a central management system. This system combines stability, continuity and predictable career paths and reward systems with each manager having a clear and ambiguous span of control. This creates a set of obligations and role differentiation with the manager as the brain and the worker as the hand. Control is reinforced by a dictatorial top-down, command-and-control leadership style.

As stable as these organizations tend to be, they also are unresponsive due to the sheer size of the hierarchies in large traditional organizations and the distance top management is from the market. This has been responsible for the failures of old economy leaders in the steel and automotive industries. At the same time, much of the renaissance of businesses such as Xerox and Hewlett-Packard can be attributed to throwing off the shackles of vertical integration.

In the new economy, the time frame in the decision making process has been dramatically reduced, which has led to a deconstruction of the bureaucratic hierarchies. Flat or non-hierarchical organizations are becoming the answer to how businesses can learn today the skills they need tomorrow. Therefore, they transform the vertically-integrated structures of the industrial style into designs of the future.

Building the Flatter or Nonhierarchical Organization

As more information goes online, more businesses are adapting the flatter structure that has three to four levels of management instead of the traditional seven to ten. Non-hierarchical organizations are a cross between a spider's web (interconnected network) and a leaping frog that's able to jump into innovations, reinvention and renewal.

These organizations are set up around self-directed or self-managed, multi-disciplinary, cross-functional work teams. Here, power flows from expertise instead of position. Flat organizations are structured around customers, teams, problems and opportunities, ability to adapt and networking. They decentralize authority, share information, diffuse and distribute competency and utilize reward systems that are primarily team-based. Their strategies, instead of focusing on cost containment and operating efficiency, emphasize growth, innovation, product customization and technological leverage.

Building the Collaborative Advantage with Networking

Many businesses utilize worldwide networking, which links companies, suppliers, customers, designers and competitors together in this global age where technology reigns. Despite going for the same piece of

the pie as you, your competitors are one of the only ones that know your business. For example, there are companies in Europe where one consists of five competitors and share each other's knowledge in a way that strengthens their ability to compete. These kind of partnerships and strategic alliances blur traditional hierarchies. Companies such as Wal-Mart and Procter & Gamble have created conglomerates with fluid boundaries between the participating organizations for the purpose of sharing resources or inventing new businesses.

Dispersing Responsibility in the Flat Organization

Control in flat organizations lies in the mutual agreements that establish the parameters of discretion and performance expectations. Control is dispersed throughout the organization, with emphasis on self-control and problem solving. People own their work—they are self-managing, self-organizing, self-designing. They take personal responsibility for work outcomes, continuously monitor their own performance, seek corrective action when necessary, and take the initiative to help others improve their performance. They also design and control their careers by defining the social contract with the organization, as opposed to having the organization determine individual career paths and progress. In short, in nonhierarchical organizations the main incentive of work is work itself.

Leadership in flat organizations constantly espouses the values of collaboration. It is shared, lateral (as opposed to top-down), and dispersed among organization members. It is a reciprocal investment process between leaders and collaborators. Through the processes of leadership making and team making, individual employees are integrated into cohesive adaptive units at the work level and larger competence networks at organization level. People take responsibility for the development of their leadership and collaborative skills, facilitate the leadership of others, and cultivate leadership processes, functions, and roles that maximize team performance. Leaders as designers, coaches, collaborators, and catalysts influence the workflow through coalition building and value consensus. In flat organizations, the larger-than-life, omnipotent individual leader is often replaced by executive teams, which form a key mechanism for managing the organization of the future.