5. Less hierarchical organizations: the fall of the traditional pillars (part I: hierarchy)

The hierarchical structure was “devised for a world in which employees were required to follow a clear set of instructions ... as businesses became more sophisticated in the 20th century, organizations became much more elaborate” (The Economist, 2019, p. 50). Complex “elaborateness” created more fluidity by accepting that structures are only partially defined at the top and that some elements are kept undefined, to allow more bottom-up contributions and to accelerate response capacity and a higher pace of innovation (Miles, 2012). As work and organizations become more “liquid” (Clegg & Baumeler, 2010; Clegg & Cunha, 2019), teams of the past were replaced by cross-boundary teaming, in which members from different organizations work as teams for a period, to address complex problems, often at an interorganizational level, such as at the level of a city (de Jong et al., 2021). In a liquid world, careers, teams and organizations changed, giving way to Protean careers, teaming and project-based organizations.

As Jack Welch, former CEO of GE, celebrated as “manager of the century” (Colvin, 1999) explained, organizations could no longer provide a career for life. Good companies, Welch observed:

> can guarantee lifetime employability by training people, making them adaptable, making them mobile to go to other places to do other things. (Davis, 2015, p. 1)

A more flexible workforce reduced elements of humanism in management practices (Petriglieri, 2020); people no longer committed to organizational careers could be viewed as more easily disposable resources. Efficiency resulting from reliable, well-tested processes needed to be complemented by a capacity for fast action, resting on a dynamic view of competencies and supported by processes such as improvisation (Abrantes, Cunha & Miner, 2022) and bricolage (Baker & Nelson, 2005). In summary, less hierarchical organizing was embraced to create nimbler organizations.

In a 2017 paper, Lee and Edmondson discussed the nature of what Clegg (1990) had termed “post-modern” less hierarchical or post-bureaucratic organizations (Josserand, Teo & Clegg, 2006). Less hierarchical, flatter organ-
organizations tend to be more common when organizations engage in knowledge work. These organizations are discovering that it is possible to “get things done” without the traditional hierarchical solutions of the past (Clegg, 1990; Cunha, Rego & Clegg, 2011; Fairtlough, 2007). Designs could be embraced that were more responsive to changing circumstances.

These post-modern organizations emerged from demands to increase speed and customer focus over a strict reliance on efficiency. The machine bureaucracy of the past had difficulties responding rapidly to varied expectations from a diversity of customer segments. The efficient standardization of bureaucratic production machines was insufficient to accommodate desires for customization, speed and entrepreneurial agency on the part of employees, especially managers. In parallel, changes in manufacturing technologies afforded the adoption of new modes of mass customization, which allowed a combination of standardization and customization, supporting the emergence of new organizational designs.

Although increasing numbers of managers strove to gain MBAs (Master of Business Administration) while the name survived, administrative skills were increasingly seen as past their use-by date in a world of constant change in which new forms of accelerated managerialism were emerging (Clegg, 2014).

According to Locke, managerialism is what occurs when a special group, called management, ensconces itself systematically in an organization and deprives owners and employees of their decision-making power (including the distribution of emoluments) – and justifies that takeover on the grounds of the managing group’s education and exclusive possession of the codified bodies of knowledge and know-how necessary to the efficient running of the organization (Locke, 2009, p. 28). Managerial designs were expanding their territory.

**DESIGN EXEMPLARS**

In this section we discuss early design exemplars of less hierarchical organization, namely, the matrix and the horizontal structure, that the new experts in management, the managerialists, were to design.

**Matrix**

The matrix has been described as a synthesis of functional and divisional forms, given its combination of function and outcome. In the matrix the line organization coexists with project organizations (Martela, 2019). Organizational members are expected to maintain a functional base while also participating in a product or project group. As organizations assume more flexibility, many have embraced the matrix structure. The matrix (Figure 5.1) typically assumes three dominant types: functional, product or balanced matrix. The matrix can
be imagined as two structures operated simultaneously by two groups of managers. For example, managers in the functional side assign experts to projects whereas managers on the project side run the project specifics. The matrix can offer a deep integration of activities but can also introduce friction at the overlapping junctures. The promotion of cross-domain collaboration can be a great organizational asset but constitutes a delicate exercise in balance.

Figure 5.1   Matrix structure

The matrix organization involves two lines of coordination that challenge traditional rigidities of previous structures, such as the functional. The new design aims to instil a measure of flexibility that allows the organization to redesign itself when circumstances change, or when projects require the recomposition of the organization’s resources. The matrix is especially relevant for temporally specific project organizations whose core processes are unstable and dynamic rather than predictable. Unpredictability neutralizes the adoption of more stable structures and invites the consideration of reconfigurable architectures.

The matrix structure comes with a cost: it is highly demanding in terms of its software side. As Bartlett and Ghoshal (1990) warned, more than a structure, the matrix can be considered a frame of mind. Think about the matrix as an expression of designed collaboration in which diverse projects require distinct skills and great resource variance. In the matrix, when collaboration is more expected than practised, organizational members may be confronted with contradictory requests and conflicting demands. These may turn the desired synergies into conflicts over power and resources.
Table 5.1  Advantages and disadvantages of matrix and horizontal structures

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<thead>
<tr>
<th>Main advantages</th>
<th>Matrix</th>
<th>Horizontal</th>
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<tr>
<td>Extraordinary ability to pool resources to different projects.</td>
<td>Focus on value creation rather than in internal functions.</td>
<td></td>
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<tr>
<td>Great flexibility, as the organization can be composed and recomposed project after project.</td>
<td>Customer focus.</td>
<td>Multidisciplinary logic.</td>
</tr>
<tr>
<td>Highly adaptable for changing projects with specific workloads.</td>
<td>Resources can be used in efficient ways as there is no duplication of areas of expertise.</td>
<td></td>
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<tr>
<td>Promotive of innovation as people from different areas work in shared projects.</td>
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<table>
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<tr>
<th>Main disadvantages</th>
<th>Horizontal</th>
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<tr>
<td>Potential conflict among functional and project areas.</td>
<td>Novel organizational design that creates implementation difficulties.</td>
</tr>
<tr>
<td>Power struggles and politicking may deter synergies.</td>
<td>May harm technical expertise as people are surrounded by a multidisciplinary team.</td>
</tr>
<tr>
<td>Lack of stability for individuals.</td>
<td>As with other flat organizational forms, popularity in informal cliques rather than expertise may have a disproportional impact.</td>
</tr>
<tr>
<td>Need for ongoing negotiation between projects and functions.</td>
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Horizontal Structures

In the 1990s, following the reengineering revolution (Hammer & Champy, 1993), several advocates defended a new structural design: the horizontal organization. The horizontal organization (Chenhall, 2008; Ostroff, 1999) is based on the idea that instead of functions, organizations should be designed according to a new basis: customer value creation processes. All the processes that failed to contribute to value creation should be removed, as well as the relational and power ambiguities of the matrix organization.

The new logic emphasized specific, customer-focused value propositions, geared towards process efficiency and improvement. The new structures would be flattened and team-based. Ideally, teams should be cross-functional, as most of the value-creating activities that take place in organizations (e.g., new product development) should be cross-functional in nature (e.g., marketing, technological, commercial dimensions are all involved in product innovation). Therefore, instead of being vertical, these structures are lateral, hence the label “horizontal” (Table 5.1).
The process or team-based horizontal organization was thus a design imagined to recentre the organization on the client. Instead of organizing work around internal functions and routines, often with no contact with customers, horizontal organizations were structured to reduce customer distance. The idea permeates the internal network organization that will be discussed apropos organizations such as Haier (see Chapter 6).

THE DESIGN ATTRIBUTES OF LESS HIERARCHICAL ORGANIZATIONS

The 20th century saw organizations becoming flatter and less hierarchical (Lee & Edmondson, 2017; Rajan & Wulf, 2006). Managers were increasingly urged to de-emphasize hierarchy (Bryant & Sharer, 2021) and to promote empowerment of their organization’s knowledge creators or “talent”. The change was caused by several organizational, social and technological factors. From an organizational perspective, the limits of the traditional conception of a modern organization are apparent: slowness in decision-making, repetitive work, the unwillingness to take full advantage of the competences of people employed. The emergence of a new class of a knowledge-based “cognitariat” is the successor to the proletariat toiling at the base of bureaucratic organizations. The cognitariat composes the vanguard of the new knowledge-based firm, rather than its toilers, they are its creators. Socially, the creation of more open access to higher education meant that the workforce had increasingly more knowledge, was more skilled in critical creativity than in the past. Technologically, digitization also contributed to changing many things.

Knowledge Work

Less hierarchical organizations rely on knowledge work, that is, work that is fundamentally of a cognitive nature, involving the acquisition and utilization of information and ideas, rather than following rules. Knowledge workers often require specific forms of management: what had been applied to manual work did not necessarily apply to knowledge work and new forms of knowledge work were spreading widely, as seen in agricultural developments such as precision agriculture (Cunha, Clegg, Rego & Berti, 2021b) or the creation of digital factories. Knowledge work is done by people with more education who potentially both have more motivation to participate and to make decisions autonomously as well as intellectual resources to do so. “Who wants to be in a company where you are not allowed to think?” (Tuna, 2008, p. 31) is a good question to ask. In knowledge-intensive companies, workers expect to have more power to initiate change. For example, companies such as Oticon, a Danish maker of hearing devices, created what was called a spaghetti organ-
ization (Figure 5.2), a form in which employee-initiated projects prevail (Foss, 2003).

The spaghetti organization is a project-based form in which knowledge centres are connected by a multitude of links, to allow the organization to move fast yet to maintain coherence (see Highlight 5.1). Knowledge workers find little joy in being commanded and told what to do. They expect to have autonomy and have their views and ideas listened to (Goffee & Jones, 2007). They are powered by soft means.

**HIGHLIGHT 5.1  OTICON AND THE SPAGHETTI ORGANIZATION**

Lars Kolind (1988–98) as CEO of Oticon is credited with the spaghetti organization design behind Oticon’s transformation in the early 1990s as one
of the leading hearing-aid manufacturers in Denmark. “In his quest to be innovative, fast and productive, in 1990 Lars Kolind abolished the company’s formal structure to create what was initially called a ‘chaos organization’.”

The organization reflected the complex, informal and almost anarchic organizing (Larsen, 2002) that is “emphatically non-hierarchical, chaotic, always changing and with no organizational diagram” (Gould Morgan, 1994). The business magazine *Fast Company*, in one of its 1996 issues, wrote, “It is hard to imagine a more disorganized organization than Oticon” (see also Figure 5.2). The change in organizational design transformed Oticon and had quick and substantial performance effects (Foss, 2003), as they moved from the position of being a follower to a trendsetter. In addition, they were able to cut down their product development cycle and time to market by 50 per cent. However, the success proved unsustainable, as Oticon became a victim of its structural ambiguity and suffered losses. Profitability seemed to be a problem. In response, the company appointed Niels Jacobsen as executive vice president in 1992 to institute stability and to balance out the new creative yet overly flexible organizational design. The spaghetti organization was gradually abandoned starting in around 1996 in favour of a more traditional matrix form (Foss, 2003, p. 335). Lars Kolind conceded that “after having loosened everything up, it was difficult to tighten things up again”.


**Soft Power**

Soft power refers to the power of attraction (Nye, 2008). It emphasizes the importance of premises, such as a common purpose and shared values. As indicated by studies of soft power at the national level, pioneered by Nye, the US “has been the world’s most innovative economy. That has been the basis of its global power and influence” (Wolf, 2021, p. 19). One consequence of this influence is the ability of the US to “attract the world’s best and brightest” (Wolf, 2021, p. 19). In a world characterized by continuous introduction of new products and services, lacking organizational innovation capacity constitutes an important weakness (Garud & Turunen, 2021), for companies as well as for nations.

In less hierarchical organizations coordination is achieved via a combination of control through premises (culture, values) and performance management (goal setting, feedback, rewards): the organization defines a purpose and establishes the goals and the rules of the game; empowers individuals to control themselves and conducts performance management. The combination
of culture and performance management is especially adequate for “clever people” (Goffee & Jones, 2007), professionals with high levels of education and expectations of autonomy. In these organizations, purpose offers a compelling story that operates as a coordination scaffold rather than a fully formed chain of command or a specific goal (Clegg, Cunha et al., 2021). Professionals articulate their action via mutual adjustment (such as through the “living stories” they swap; Vaara et al., 2021) and their contribution to the mission.

In the process, leadership becomes more informal, emergent, distributed and rotating, shared instead of being invested in one single person (Hanna et al., 2021). Gonçalo Quadros, founder and CEO of Critical Software, explained that “good leadership must be distributed – a good leader helps other leaders to emerge” (Correia & Pereira, 2020, p. 14). The change is superbly captured in a passage of the French writer Saint-Exupéry that is sometimes cited by management authors (e.g., Hastings & Meyer, 2020, p. 215) to express the direction of change: to build a ship, instead of giving orders teach people to desire the sea.

The sea or some metaphorical organizational North Star constitutes an overarching objective that informs decision-making by the members of an organization. A pharmaceutical company, for example, defined its North Star as “evolving into a data-driven business in order to reimagine medicine and improve patients’ lives” (Collings & McMackin, 2021, p. 56). This type of overarching goal is conceived as a substitute for the need to give orders (see Highlight 5.2).

**HIGHLIGHT 5.2  SUBSTITUTES AND NEUTRALIZERS OF LEADERSHIP**

As some organizations try to move away from hierarchical structures, they use context as a substitute for leadership. The notion that leaders can be substituted or neutralized by contextual features is not new. It was developed by Kerr and Jermier (1978) to explain the circumstances in which leader action is unnecessary or ineffective.

For example, highly educated professionals can be expected to lead themselves. The organization can support them by offering contextual mechanisms (rules, goals, incentives, purpose, values) to help them lead themselves. In these contexts, leadership often happens in a covert way (Mintzberg, 1998), based on premises rather than in explicit obtrusive control.
The above discussion does not mean that top-down leadership gives way to bottom-up leadership. Leadership will tend to be top down and bottom up, hierarchical and distributed (Holm & Fairhurst, 2018; Oliveira & Cunha, 2021). In this context, employees become collaborators or individual contributors, endowed with agency and are expected to be proactive (Grant & Ashford, 2008). They are sometimes qualified as owners of human capital (Gratton & Ghoshal, 2003). As people investing their human capital, employees expect their value to be appreciated and that their organizations also invest in increasing their capital. Modern employees, as workers, sell not just their time and labour power but possess different forms of capital:

- Intellectual capital, or what they know.
- Emotional capital, or their capacity to work productively with others, to build and maintain generative relationships.
- Social capital, or who they know: their capacity to turn relationships into organizational resources that may assist in solving problems.

Leaders as Coaches

Over time, the notion of the manager as a supervisor gave way to the idea of the manager as leader or as coach (Garvin, 2013; Ibarra, 2019). This idea gained progressive depth as organizations embraced agility. In these new forms, coaching and a learning context are critical to “densify talent” (Hastings & Meyer, 2020). Talent density (see below) is not only a matter of attracting good minds but also of developing them. For this reason, the war for talent is not enough (Pfeffer, 2001). Even though attracting good human capital is important, developing talent is equally relevant. Attracting talented people and not helping them flourish is problematic in new organizational regimes.

Positional power becomes less relevant than relational authority (Bourgoin, Bencherki & Faraj, 2020), understood as a form of legitimated (rather than merely formal and mandated) domination (Clegg, 2021). Because control is progressively exerted through emergent principles negotiated with peers and as the claims to power are becoming more diffuse, new ways of understanding leadership have also emerged. If, in a stable context, power positions can be sustained over time, in volatile contexts, structures are reconfigured regularly, with more unstable structures requiring more dynamic, shared, pluralistic forms of influence.

The transformation is complex. Empirical evidence shows that empowerment initiatives aiming to replace “power over” with “power to” are often met with cynicism and cause important tensions. As a result, it may be that a desired change can instead lead to the reinforcement of the existing structures. A study in the Dutch Armed Forces illustrates the nature of the chal-
The hierarchical nature of the organization actively resisted attempts at change and produced more tension than willingness to change (Van Baarle et al., 2021). The authors found that actors may struggle cognitively to effect a change that is far from obvious, regardless of how well intentioned it might have been.

**Organization as Jazz**

In playing jazz (Fisher, Amabile & Pillemer, 2021; Kamoche, Cunha & Cunha, 2003), the presence of a formal leader does not inhibit the dispersion of leadership among the members of the group. The jazz metaphor prizes adaptability above certainty (Dennis & Macaulay, 2007), creativity above routine. Mistakes and failed improvisational moves are the price to pay in the name of speed, with honest mistakes represented as learning opportunities rather than as a sign of carelessness – an attitude that contrasts with more traditional organization in which improvisation must be carefully hidden (Macpherson, Breslin & Akinci, 2021). Leadership becomes a process based on implicit rules (Jordan, 2017) rather than an expression of one person’s formal command in highly creative jazz groups. Reed Hastings (from Netflix) noted that while a lack of rules creates a kind of anarchy, rules stifle creativity. The challenge thus lies in managing through values and a context in which everyone does what must be done, without central coordination.

One way of achieving this is by each performer being given a set of scales that encompass the parameters of their improvisation and style, consequently affording them more creative freedom with their idea work (Carlsen, Clegg & Gjersvik, 2012), much as Miles Davis (1959) did in making *Kind of Blue*. In this kind of organization there is no central orchestration but highly fluent teamwork and collectively attuned improvisation capacity. To achieve this in jazz or anything else takes highly accomplished performers.

The changing nature of work sees complex projects being put in place by “teams of teams” from different specialties, with new competencies involved such as teaming, collaboration and participation, in addition to project management. In such contexts, leadership is an exercise in context setting, development and facilitation, more than the traditional practice of control. Managers become collaborative performers, supporting the leadership of their team members. In some cases, such as virtual teams and flexible work practices, they must coordinate people who are not physically co-located, a challenge, maybe even a threat, for those for whom leadership represents arms-length control (see Highlight 5.3).
HIGHLIGHT 5.3 FOR PRACTICE: MOVING IN THE DIRECTION OF LESS HIERARCHICAL ORGANIZING

For practice, many implications result from the movement in the direction of less hierarchical organizations. When organizations rely less on hierarchy, they depend more on alternative forms of control, especially on normative premises contained in organization culture. Creating and maintaining a positive culture is thus mandatory. A positive culture is a culture of growth and respect. In this type of organization, relationships matter, with generative relationships thriving on mutual respect. Respectful and supportive managers improve the context and help workers positively to redefine the nature of the work they do, by infusing it with more meaningfulness (Soffia, Wood & Burchell 2021).

The “No brilliant jerks” policy at Netflix (Hastings & Meyer, 2020, p. 200) illustrates the point and offers important clues for action – also theorized by Sutton (2007).

FINAL REMARKS

As McAfee and Brynjolfsson (2016, p. 139) have pointed out, “the promises of science fiction are quickly becoming workaday realities”. Organizations increasingly need to experiment with new ways of working. At the same time, as noted by Chamorro-Premuzic, it is often presumed that “Humans are hierarchical by nature and the office always conveyed status and hierarchy” (in Jacobs, 2021, p. 16). For this reason, in times of great change, the temptation lies in preserving the status quo, defaulting to the traditional mean. For the above reasons, change is inescapable; nonetheless, responding to it through the adoption of less hierarchical designs should be handled with care, as there are multiple obstacles to design innovation.