Practice Management

Read the following articles related to the 5 Types Of Organizational Structures and answer the following questions:

1. Identify advantages and disadvantages of each organizational structure and categorize them accordingly in one table. Discussion will follow in class.

2. Read the article "No bosses, no managers: the truth behind the 'flat hierarchy' façade" and outline the main critiques related to the flat organizational structure.

Source: https://www.forbes.com, https://www.theguardian.com

The 5 Types Of Organizational Structures: Part 1, The Hierarchy

This is going to be a five-part post that explores various types of organizational structures that either already exist in today's business landscape or are starting to emerge as viable options for the future of work. Each post will explore one of these structures and then I'll provide a final summary post on all five. These concepts and ideas are taken from my book, *The Future of Work: Attract New Talent, Build Better Leaders, and Create a Competitive Organization*. The five types of organizational structures that I will explore are:

Let's start with the structure we have all come to know and love...the hierarchy.

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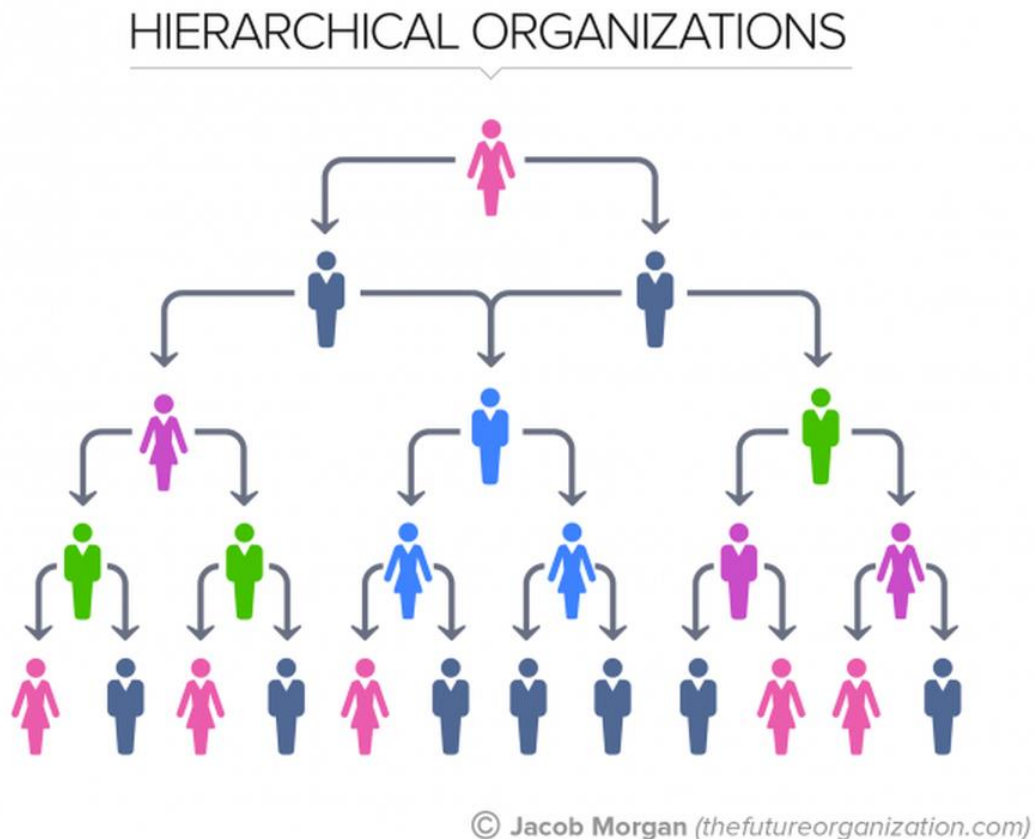
I've talked about several workplace practices and approaches that are quite out-dated and the hierarchy is one of them. According to Wikipedia, "possibly the first use of the English word "hierarchy" cited by the Oxford English Dictionary was in 1880, when it was used in reference to the three orders of three angels as depicted by Pseudo-Dionysius the Areopagite (5th–6th centuries)." This model was quickly adopted by the military as a way to show a chain of command and of course we have all seen and experienced this within our organizations (and most still do).

This type of a model makes sense for linear work where no brain power is required and where the people who work there are treated like expendable cogs. However, as the war

for talent continues to become more fierce, organizations around the world are quickly trying to figure out alternatives to the hierarchy. In fact, every single organization I speak with, work with, and research, is looking to flatten out their structure. Nobody ever tells me they want more bureaucracy and more layers.

There are many challenges with this model but to name a few. Communication typically flows from the top to the bottom which means innovation stagnates, engagement suffers, and collaboration is virtually non-existent. This type of environment is riddled with bureaucracy and is extremely sluggish. This is why the hierarchy is perhaps the biggest vulnerability for any organization still employing it. It opens up the doors for competitors and new incumbents to quickly take over. There is also no focus on the employee experience in this type of a structure and as organizations around the world are exploring alternative organizational models, those still stuck with the hierarchy are going to have one heck of a time trying to attract and retain top talent.

The hierarchy has permeated virtually every company around the world regardless of size, industry, or location. The greatest strength of the hierarchy used to be that it was so reliable at maintain the status quo, which was exactly what companies wanted decades ago. However what was once it's strength is now it's greatest weakness. The hierarchy is a very resilient management structure that has been so embedded in how we work that most organizations around the world are having a tedious time getting rid of it.

Today one thing is certain, the hierarchy belongs in a management museum locked up for people to see, but not touch.

In part 2 of this post I'll explore what is perhaps the most practical and scalable organizational model, the "flatter" organization.

The 5 Types Of Organizational Structures: Part 2, 'Flatter'

This is part two of a five part post that explores various types of organizational structures that either already exist in today's business landscape or are starting to emerge as viable options for the future of work. Each post will explore one of these structures and then I'll provide a final summary post on all five. These concepts and ideas are taken from my book, *The Future of Work: Attract New Talent, Build Better Leaders, and Create a Competitive Organization*. The five types of organizational structures that I will explore are

FLATTER ORGANIZATIONS

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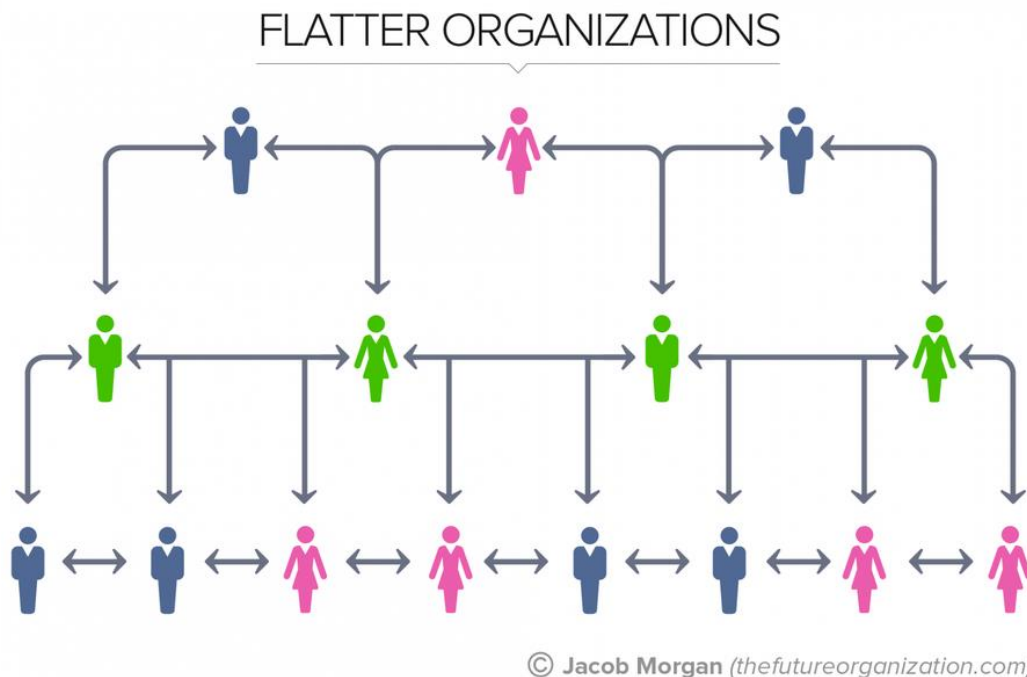
Unlike the traditional hierarchy which typically sees one way communication and everyone at the top with all the information and power; a "flatter" structure seeks to open up the lines of communication and collaboration while removing layers within the organization. As you can see there are fewer layers and that arrows point both ways. Obviously an very simplified way to look at this type of a company but hopefully it gets the point across. For larger organizations this is the most practical, scalable, and logical approach to deploy across an entire company. This is the model that most large (and many mid-size) organizations around the world are moving towards.

It's true, some form of hierarchy still does exist within this model but that isn't necessarily a bad thing in this case. In flatter companies there is still a strong focus on communication and collaboration, improving the employee experience, challenging the status quo around traditional management models, and the like. But instead of completely reinventing the entire company and introducing a radical new structure and approach to work, it achieves similar results in far shorter term and with much less effort and resource allocation.

It's important to point that this type of model cannot exist without a few crucial things. The first is a robust set of technologies that act as the central nervous system of the company. These technologies help make sure that employees can collaborate and access each other and information anywhere, anytime, and on any device. The second thing this model requires is an understanding by executives and managers that employees don't *need* to work at your company, they should *want* to work there and as a result everything should be designed around that principle. The third thing that is required is an understanding that managers exist to support the employees and not vice versa. This also means that senior leaders focus on pushing the power of authority down to others instead of pushing down information and communication messages. The fourth and final thing I'll mention about this model is that the organization must accept that the way we work is changing and must therefore be comfortable with things like flexible work arrangements, getting rid of annual employee reviews, and challenging other outdated ways of working (there is more to be said about this but that's why I wrote a whole book on the subject!)

Companies like Cisco, Whirlpool WHR +0.63%, and Pandora , and many others are actively implementing this approach. I've interviewed executives at all of these companies and with the exception of Whirlpool have been inside of their offices. At Cisco for example employees have complete freedom and flexibility to work when, where, and how they want to work. At Whirlpool they got rid of traditional job titles and instead created four types of leadership roles that every single employee fits in. Whirlpool also has a robust innovation program that lets any employee contribute. Pandora has a whole team devoted to focusing on the employee experience which takes into account the values of individuals, the ways people work, and the physical environment that people actually work in.

This is the model I fully expect to see more of and based on the conversations and work I'm doing, this is by far the most widely adopted.

The 5 Types Of Organizational Structures: Part 3, Flat Organizations

This is part three of a five part post that explores various types of organizational structures that either already exist in today's business landscape or are starting to emerge as viable options for the future of work. Each post will explore one of these structures and then I'll provide a final summary post on all five. These concepts and ideas are taken from my book, *The Future of Work: Attract New Talent, Build Better Leaders, and Create a Competitive Organization*.

FLAT ORGANIZATIONS
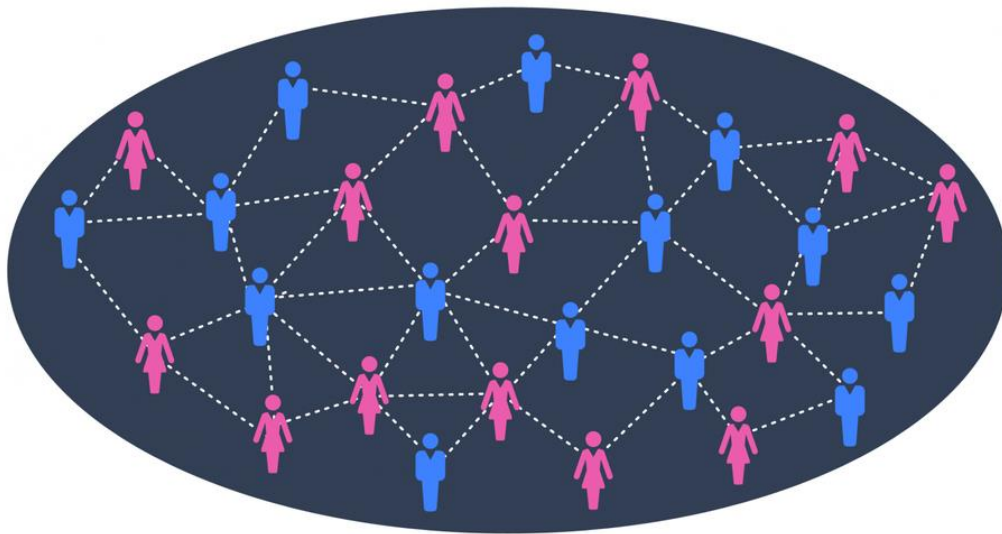
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Unlike any other corporate structure that exists, flat companies are exactly that...flat. Meaning there are usually no job titles, seniority, managers, or executives. Everyone is seen as equal. Flat organizations are also oftentimes called or referred to as self-managed organizations (there can be some differences but for our case we will put them together). The most famous example of this comes from Valve, the gaming company responsible for classics such as Half-Life, Counter-Strike, Portal, and many others. At Valve there are no job titles and nobody tells you what to work on. Instead all the employees at Valve can see what projects are being worked on and can join whichever project they want. If an employee wants to start their own project then they are responsible for securing funding and building their team. For some this sounds like a dream for others, their worst nightmare.

There's quite a lot that can be said about this type of structure. While it does have benefits and is interesting to consider I don't see this as something that is practical or scalable for larger organizations when we think about the future of work. Smaller and some medium size companies might be able to operate in this type of an environment but when you get to organizations with thousands of employees then it becomes challenging. Most of the companies that are known as being "flat" started that way and then grew. For example W.L. Gore & Associates which now has over 9,000 employees scaled their flat structure over many years since the company started. This wasn't a sudden decision they made after they grew to 9,000 people. Even at Gore, as the company began to grew, some structure had to be put in place.

Flat organizations like every other type of structure, also have their own challenges. For starters, informal hierarchies automatically get created based on seniority, people who are at the company longer just tend to be viewed as being more senior. The lack of structure can also make accountability and reliability a bit of an issue as well. Finally, the company tends to develop cliques (think high school) where groups of people tend to support and work with each other but oftentimes prefer to stay to themselves, this of course can cause challenges for communication and collaboration. In fact, I did a podcast interview with one of the pioneers of self-management at The Morning Star Company, Paul Green. In it we talked about some of these, and many other issues. If you're interested in learning more about this type of a structure then I highly recommend you give it a listen.

The big challenge with this type of an approach is that if a larger organization decided to implement it, the process would take many years and would require enormous amounts of capital and resources to execute. Imagine going into an organization with 60,000 employees around the world that is hierarchical in nature and quite literally doing everything in the exact opposite way. It brings new meaning to "don't throw the baby out with the bathwater." This doesn't mean I don't believe in self-management or don't see its merits, I absolutely do and the companies that have implemented it have done well. However, it's simply not realistic for 96+% of companies in the world. This is why I think the "flatter" structure is the most scalable and practical for most organizations. So what type of a company can a flat structure be suitable for? Small organizations, some medium size companies, or companies that are created on the idea of being flat and then scale this approach as the company grows. I do want to emphasize that this series of posts isn't designed to say which structure is the most superior, instead it's meant to give you perspective around what is available and what other organizations are implementing. Your company may decide to take bits and pieces of all the different types of structures and create something that is unique to just them.Perhaps in the next few decades the idea of having a flat company might catch on and become more mainstream, especially as we see the freelancers economy start to grow, but at least for the foreseeable future the idea of having a completely flat company...falls flat (see what I did there?)

The 5 Types Of Organizational Structures: Part 4, Flatarchies

This is part four of a five part post that explores various types of organizational structures that either already exist in today's business landscape or are starting to emerge as viable options for the future of work. Each post will explore one of these structures and then I'll provide a final summary post on all five. These concepts and ideas are taken from my book, *The Future of Work: Attract New Talent, Build Better Leaders, and Create a Competitive Organization*. The five types of organizational structures that I will explore are:
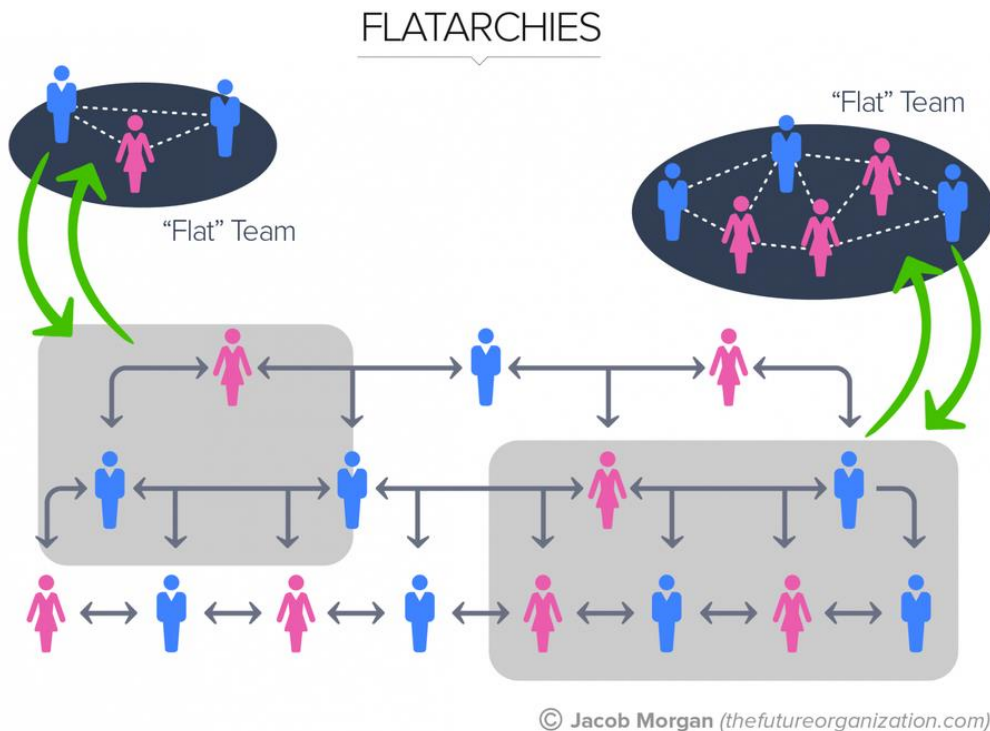
Somewhere in between hierarchies and flat organizations lie flatarchies. These types of companies are a little bit of both structures. They can be more hierarchical and then have ad-hoc teams for flat structures or they can have flat structures and form ad-hoc teams that are more structured in nature. Organizations with this type of structure are very dynamic in nature and can be thought of a bit more like an amoeba without a constant structure.

The most common type of example with this structure is a company with an internal incubator or innovation program. In this type of an environment the company operates within an existing structure but usually allows employees to suggest and then run with new ideas. Ideas that company allows employees to move forward with usually result in separate teams being formed. Lockheed Martin, the aerospace company, was famous for launching their skunkworks project which was responsible for the design of the SR-71

spy plane. Google, 3M, Adobe, Linkedin, and many other companies all have internal innovation incubators where employees can try to get their ideas funded and then developed into new products or services. However to do this, new teams must be formed which oftentimes must operate with far more autonomy, more resources, and much less bureaucracy.

This type of a structure can work within any type of company large or small. However a flatarchy is to be thought of as a more temporary structure which creates isolated pockets of new structures when needed, such as in the case of developing a new product or service. This is starting to become more common as organizations around the world invest more time and money into creating innovation programs that look beyond a set R&D department. It's not hard to imagine having a permanent structure as a "flatter organization" which then gives employees the opportunity to create special teams when needed.

This model is quite powerful yet also more disruptive than the other structures explored. The main benefit here is the focus on innovation which is quite a strong competitive advantage in the future of work.

The 5 Types Of Organizational Structures: Part 5, Holacratic Organizations

This is the fifth and final part of a five part post that explores various types of organizational structures that either already exist in today's business landscape or are starting to emerge as viable options for the future of work. Each post will explore one of these structures and then I'll provide a final summary post on all five. These concepts and ideas are taken from my book, *The Future of Work: Attract New Talent, Build Better Leaders, and Create a Competitive Organization*.

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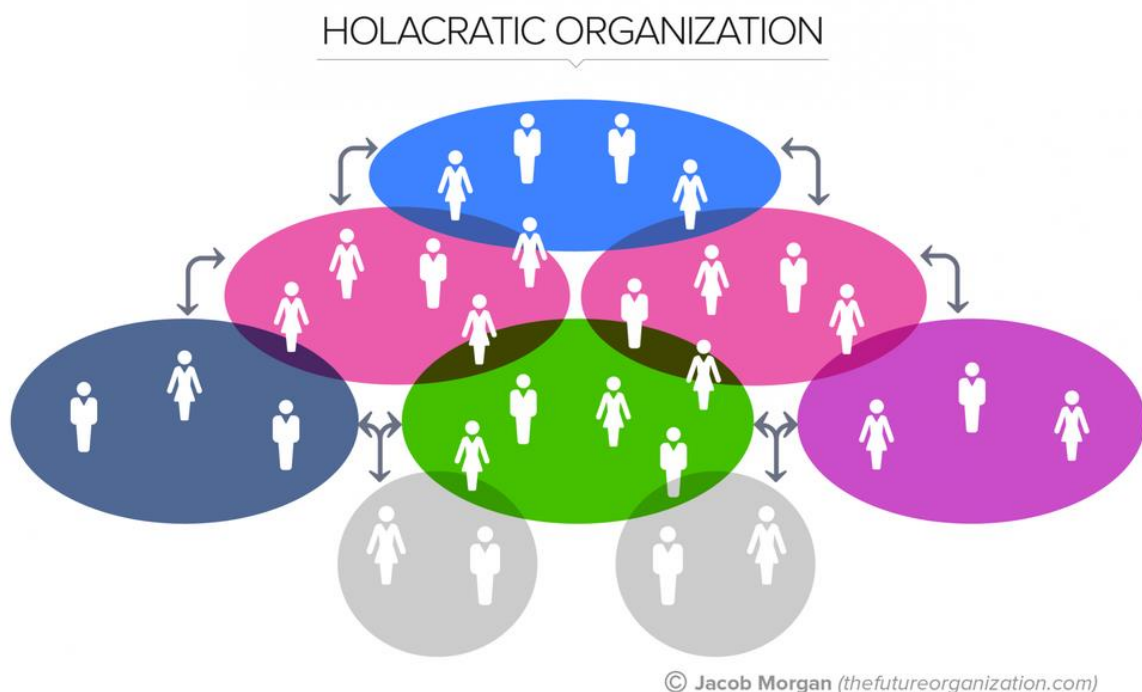
Before doing anything else I recommend you listen to this in-depth conversation I had with the founder and creator of holacracy, Brian J. Robertson. The interview will answer a lot of questions that I'm sure you might have about this new and emerging structure. In fact, Brian is speaking at the Future of Work Forum in NYC from Oct 21-22.

Holacracy started gaining lots of traction after Zappos announced that they would be shifting to this new model of working. The media has picked up on this as a "boss-less" organization which hardly describes what holacracy is about, again check out the podcast link above. There are actually quite a few organizations that have been experimenting with this model but the most known are of course Zappos and Medium. The basic goal with this structure is to allow for distributed decision making while giving everyone the opportunity to work on what they do best. There is still some form of structure and hierarchy but it's not based on people as much as it based on circles or what most people would think of as departments. Information is openly accessible and issues are processed within the organization during special and ongoing meetings. Now

just reading those few sentences certainly makes it seem like "that's the work should be done," and I agree.

One of the things I've always said about holacracy is that I believe there are ways to achieve some of the desired effects without having to go through such a radical change. It's sort of like trying to improve the way your car runs by taking out the entire engine and rebuilding it instead of working on some of the core areas that might really drive performance. Sometimes ripping out the engine and starting from scratch isn't always as an option, especially as the car is moving, like most organizations always are.

For example decentralized decision making is something that doesn't necessarily require a whole new organizational structure to thrive in. It can just as easily happen in a "flatter structure" that can leverage some of it's existing infrastructure. It's not hard to imagine why applying holacracy to an organization of say 10,000 or 50,000 employees around the world might be a bit tricky to say the least. As far as I know Zappos is the largest organization in the world attempting to implement this and they around 1,500 people.

My opinion is that holacracy can be more viable for smaller or medium size organizations or perhaps larger organizations that have started off with holacracy as their base operating model. However, it's very hard for me to imagine a large organization with tens or hundreds of thousands of employees around the world implementing something like this. Holacracy is still very much an emerging structure with a lot of inserting concepts but we still need more case studies and examples over a longer period of time. Zappos will perhaps give us the best look at what a transformation to holacracy can look like, but I suspect we will need to wait another 2 years to really get a sense of the impact.

This doesn't mean that organizations can't apply some of the concepts from holacracy (or in fact any other organizational structure). This doesn't have to be an all or nothing approach. Brian and I agree that the way we currently work and think about work is fundamentally changing and holacracy is one of the options that companies can explore.

In the next final post, I'll provide an overview of all 5 structures and a handy visual that shows all 5 of these structures. Stay tuned, and in the meantime let me know what you think about holacracy!

No bosses, no managers: the truth behind the 'flat hierarchy' facade

They promise staff the time of their lives. But from tech to Hollywood, there's a neo-feudal

'Many young employees in the tech industry think there is no hierarchy, their boss is their buddy, and work is fun. This is fantasy.' Photograph: Stephen Brashear/Getty Images

Imagine working for a company with no bosses. On your first day, you are given a handbook for new employees. This will be "the greatest professional experience of your life", you read. "We don't have any management, and nobody reports to anybody else." You can decide which projects you work on. If you hate who you're sitting next to you can simply move – there are wheels on the bottom of your desk to help. The company has some exciting quirks like a massage room, an in-house radical economist, and trips where everyone in the whole company goes on holiday together.

The industries with the least in the way of formal rules and regulations are often rife with sexual harassment

This is no fantasy. It's a computer game development company called Valve. Based in a suburb of Seattle, Valve has produced well-known games such as Half-Life, and a hugely successful digital distribution platform called Steam. It has recently started developing hardware for games developers.

In 2012 Valve's new employee handbook was leaked. Fawning articles about this unique and amazing company appear everywhere from the BBC to Harvard Business Review. Valve's economist in residence – Yanis Varoufakis, the former Greek finance minister – appeared on a podcast describing the company's unique system of rewarding employees.

Since then, the glittering aura of Valve's "no boss" culture has started to fade. In 2013, an ex-employee described how the company had "a pseudo-flat structure". "There is actually a hidden layer of powerful management structure in the company," she said, which made it feel "a lot like high school".

Now, five years later, another ex-employee has taken to Twitter to share his thoughts about a nameless company that closely resembles Valve. Rich Geldreich described how the firm would hire employees, make them grand promises, then fire them once they were no longer useful. He described the firm as being run by "barons" – and advises new employees to cosy up to a baron in order to "rapidly up your purge immunity level before the next firing cycle".

Geldreich's description squares with some reviews of Valve on Glassdoor, a site where staff leave anonymous verdicts on their employers (although it has to be said that many employees like Valve's culture). One describes the no-boss culture as "only a facade": "To succeed at Valve you need to belong to the group that has more decisional power and, even when you succeed temporarily, be certain that you have an expiration date. No matter how hard you work, no matter how original and productive you are, if your bosses and the people who count don't like you, you will be fired soon or you will be managed out."

Geldreich describes a neo-feudal workplace culture of powerful barons who ruthlessly exercise their whims over temporary favourites, then turn on them during the next "head count reduction" exercise.

Such endemic uncertainty is not unique to the computer games industry. Jeffrey Pfeffer, of Stanford University, points out that many young employees in the tech industry think there is no hierarchy, their boss is their buddy, and work is fun. This is fantasy, Pfeffer says. The lack of formal rules and hierarchy masks a vicious informal power structure. But unlike good old-fashioned hierarchies, there are few checks and balances in place in flat firms. Powerful "barons" can pursue their caprices with few limitations.

The industries with the least in the way of formal rules and regulations are often rife with sexual harassment. In a forthcoming book, Peter Fleming, a business school professor, points out that the wave of scandals triggered by revelations about Harvey Weinstein's alleged predation is in no small part connected to the highly flexible organisational structures that Hollywood runs on.

We went too far in toppling authority. Some is good for us
Eliane Glaser

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Like firms, the famously bureaucratic public sector has also fallen for flatness. In place of rules, regulation and evidence, many public agencies have started to look for "passion", "enthusiasm" and "flexibility". It might sound great, but the academic and author Paul du Gay warns that it can lead to dangerous and even disastrous results. For instance, the military misadventures of the early 21st century were often due to the passion and enthusiasm of elected officials trumping the formal rules and expertise offered by civil servants and military personnel.

Getting rid of formal hierarchies has also proved dangerous in social movements. After spending years in the women's liberation movement of the 1960s, the American political scientist Jo Freeman warned of the "tyranny of structurelessness". Although egalitarian and democratic structures have many benefits, she pointed out, structurelessness easily "becomes a smokescreen for the strong or the lucky to establish unquestioned hegemony over others". By putting rules and structures in place, you make it clear and transparent how the group or organisation works. The lesson Freeman learned in the early 1970s has been forgotten over and over again.

Fantasies of no rules, no bosses and no hierarchies are seductive. Hierarchies can be repressive, rules can be absurd, and bosses can be toxic. But not having these things can be worse.

• André Spicer, a professor at the Cass Business School in London, is the author of Business Bullshit