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Hierarchy and Network: Two Structures, One Organization

by John P. Kotter

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Almost all companies organize people in a hierarchy, and then run well known managerial processes (planning, budgeting, staffing, measuring, etc) with it. We have all seen so many hierarchical org charts — sprawling boxes of letters and arrows arranged in inverted pyramids — and have been through so many budget, planning, and problem solving meetings, that we take all of this as a given, as if it had existed forever. In fact, it hasn't.

The hierarchical organization that we see today was invented in the last century, and it is an incredible invention. It can direct and coordinate the actions of thousands of people making and selling thousands of products or services across thousands of miles, and do so effectively, efficiently, and profitably, week after week after week. If you had told an average citizen in the year 1900 what this structure and those sets of processes were accomplishing everywhere today, they would have thought you daft.

But 20th-century, capital "H" Hierarchy (a sort of hardware) and the managerial processes that run on it (a sort of software) do not handle transformation well. And in a world with an ever-increasing rate of change, it is impossible to thrive without timely transformations. The

data, case studies, and personal anecdotes to this effect abound.

The challenge is that, at both a philosophical and a practical level, the Hierarchy (with its management processes) opposes change. It strives to eliminate anomaly, standardize processes, solve short-term problems, and achieve stopwatch efficiency within its current mode of operating.

In a sense, the crowning accomplishment of the Hierarchy and its management processes is the enterprise on autopilot, everyone ideally situated as a cog whirring on a steady, unthinking and predictable machine. Thus, the Hierarchy ignores new opportunities that require transformation because these don't align with its core purpose of maintenance and optimization. A market opportunity for tablet computers, for example, is more of a distraction than an opportunity to the hierarchy of a giant PC manufacturer focusing on this quarter's earnings targets.

That is not to say that small- and medium-sized change are impossible in the Hierarchy. In fact, many critics point to change management processes, Kaizen initiatives, and the like as evidence that the Hierarchy can do change. But I am referring to something far bigger: large-scale organizational change, such as a company redesigning its entire business model, or accomplishing its most important strategic objectives of the decade, or changing its portfolio of product offerings. And there is no evidence to suggest that the Hierarchy allows for such changes, let alone that it effectively facilitates them.

All of this has led me to believe that the successful organization of the future will have two organizational structures: a Hierarchy, and a more teaming, egalitarian, and adaptive Network. Both are designed and purposive. While the Hierarchy is as important as it has always been for optimizing work, the Network is where big change happens. It allows a company to more easily spot big opportunities and then change itself to grab them.

My idea of the Network is a system of teams with representatives from all divisions and all levels, who leave formal titles at the door to participate in a decidedly anti-hierarchical forum. As the environment changes in various ways, this system senses and responds to it, and in turn creates more and more teams with volunteers to address the discrete parts of a larger change. With this Network, potential opportunities and changes are identified, urgency around tomorrow's possibilities is fostered and maintained, strategies for organization-wide changes are formed, barriers are identified and addressed, and change is achieved.

To clarify, I am not talking about a cross-unit "task force" or a new "initiative" built into this year's plans. I am talking about a whole new system that is much bigger, more powerful and involves far more people. Over the past few years, I've started to see many high-performing organizations use a network-like structure outside their traditional hierarchy to lead change, and with great results.

I'm curious to hear your thoughts on this.

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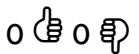
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Shalin Siriwardana   a year ago

I think organizational charts are very helpful when networking an organization. Because departments can be determined in order to make the complete structure of network facilitator. Few examples in this org chart software community.

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