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Natural Hierarchy – Fundamentally Different Ways of Organizing in Practice

128 - The Future of Work and Organizing

Abstract

Today many companies have to struggle with different challenges. They face increasing volatility and ambiguity in the markets. The average involvement of employees is very low globally. Managers tend to be overloaded with data and have weak oversight of the strategic perspective. Nevertheless several examples of companies and NPOs have sought ways to solve problems like these. They function on the basis of hierarchy-free self-organization instead of a hierarchical pyramid. Despite distinct features in detail, this kind of a relatively new way of organizing may be summarized through the following characteristics: purpose-driven, distributed authority, self-management, wholeness. In this paper I review characteristics and strengths and challenges of these approaches. Some popular misconceptions are addressed. The paper shows different approaches on how to implement or rather integrate hierarchy-free self-organization. Furthermore some topics are shown which may become crucial during such an organizational change process.

Keywords:

self-organization, natural hierarchy, distributed leadership, organizational purpose

1. The future of organization is alive already

In hierarchical organizations, all decisions of importance are usually made by managers. Frequently they are not connected to the practical activities anymore. Thus those decisions in many cases are not well-founded and cause resistance by the sub-ordinates. To be the object of such decisions diminishes motivation for many employees. Globally, only a fraction of 13% of the employees was found to be actively engaged at work, whereas 24 % are actively disengaged (Gallup 2013). Managers themselves tend to be overloaded with operative details and to lose sight of the strategic perspective. However, there are some organizations in Europe and the USA which do not only have a flat hierarchy but none at all. Interestingly, those companies developed their own approaches more or less independently from each other. Semco in Brazil is one of them, and Frederic Laloux described 12 more in his book Reinventing Organization (Laloux 2014). Some more have been found meanwhile. These organizations include production (e.g. Morning Star, Patagonia) as well as service industry (e.g. Zappos), profit (e.g. SUN hydraulics) and NPO (e.g. ESBZ, rhd), small (e.g. evolution at work) and big

ones (e.g. AES). Some of them were founded in a hierarchy-free manner (e.g. Buurtzorg, evolution at work), others transformed (e.g. FAVI, Poult).

The future of organizing is alive here already:



2. Characteristics, Strengths and Challenges

Among others, three central characteristics of such organizations may be summarized as follows (Hamel 2011, Laloux 2014, Pircher 2016):

1. To serve the purpose or mission of the organization provides the leading orientation for every decision and action. Whether an idea or argument is good or bad will be judged following this assessment. Every employee at Morning Star, for example, “is responsible for drawing up a personal mission statement that outlines how he or she will contribute to the company’s goal of producing tomato products and services which consistently achieve the quality and service expectations of our customers.” (Hamel 2011).
2. The power to take decisions is allocated to those people in the organization who are capable of doing it. Employees choose how much money to spend on what, even including salaries. They are responsible for acquiring the tools needed to do their work. Employees even define the strategy themselves. There are no titles or promotions because there is no hierarchy. In such organizations, there are no managers anymore. However, everybody is a manager in terms of having the responsibility to decide. One employee puts it like that: “I’m driven by my mission and my commitments, not by a manager.” (Hamel 2011). Employees negotiate responsibilities with their peers. They apply market-style practices within their relationships. If they want to make investments larger than what they are able to finance themselves, they have to convince colleagues to lend them the rest. “There is a social risk in doing something your colleagues think is stupid.” (Hamel 2011).

3. People do not have to fit into predefined boxes which could be labeled as whole. They are expected to take on larger responsibilities as they develop further competencies. Hence, there are broader and more complicated roles than elsewhere (Hamel 2011).

It may be concluded that in such organizations, the employees have a lot of freedom to do what they are convinced is the best thing to serve the purpose. Simultaneously, they have peer-negotiated responsibility for the results of their actions. There are almost no rigid structures like hierarchy and status-markers which keep them from fulfilling their mission.

Such a fundamental shift of organizational structure and culture also has its drawbacks. It usually takes a quite long time to get accustomed to it and to be productive. Not everybody is willing to enter such an organization or is suitable for it. Employees who are used to working in a rigid hierarchical environment may not be able to adjust. This selection criterion is difficult to assess and constitutes a limitation for growth in terms of number of employees. Without a hierarchical ladder to climb, employees may also find it difficult to evaluate and communicate their progress relative to peers. That can become a handicap when they want to switch companies. Peer-negotiated responsibility requires explicit feedback in case a counterpart does not meet his / her promises. This may be challenging for employees on both sides, yet it constitutes a core factor for productivity (Hamel 2011).

It appears to be evident that such a new type of purpose-driven organization requires people with the ability and willingness, to manage their actions and competencies quite independently and to coordinate them with colleagues. On top of their professional expertise, they have to establish self-management and self-leadership skills. Self-leadership may be defined as “a comprehensive self-influence perspective that concerns leading oneself toward performance of naturally motivating tasks as well as managing oneself to do work that must be done but is not naturally motivating” (Manz 1986: 589). In addition to self-management, the concepts of the “what” and “why” are covered. Through the focus on the “why” and “what” of self-influence, individual self-leaders address the underlying reasons for effort and behavior (Manz 2013, see also Pircher 2015). Increased self-leadership corresponds with better effective responses and improved work performance (Stewart et al. 2011).

3. Popular misconceptions concerning self-organization

This type of hierarchy-free organizing seems to be so completely contradictory to our fundamental assumptions regarding the organization of human collaboration, that it triggers several misconceptions which I will try to clarify here briefly:

- “There is a lot of talking and little action”: Clear structures and processes create a “grid” which channels discussion and interaction towards the purpose. Personal accountability for one’s own actions and achievements ensures that nobody hides themselves behind the decisions of a superior.
- “There are still hierarchies but hidden ones”: A fluid and purpose-driven structure allows existing human competency to effectuate itself wherever it is needed. There is still a natural hierarchy of competency but this one is neither rigid nor self-sustaining if it does not serve the attainment of the purpose anymore.

- “This is a nice hippie utopia but it doesn’t work in real business life”: Most of these new organizations make profits which they could even increase through this fundamental transformation.

4. How to transform hierarchy towards distributed self-organization?

There are basically two options for transforming an existing hierarchical organization:

- Radical change ordered by top management (e.g. led by Tony Hsieh at Zappos)
- Incremental and participative step-by-step change (e.g. FAVI)

This needs at least one precondition, however-- a leader who lives the change and takes the risk. A human being is required who embodies the collaborative and participative mindset of the future company (Laloux 2014).

During transformation, the following “hot topics” could arise:

- What is the real purpose, the mission of the organization?
- How to help the (middle-)managers find an image of their future identity in the organization?
- How to deal with salary if there is no hierarchical ladder anymore telling me who is worth how much money?
- Who wants to take part in the journey? How to find an agreeable way of separating from those who do not find a place for themselves in this new organizational identity?
- How to design the recruiting process so that those people who may identify themselves with this purpose are selected?
- What approaches fit in well with the purpose and the history of the organization regarding topics like decision-making, definition of roles and processes, competency-development in areas like self-leadership, etc. ?

5. Conclusions

I would like to summarize current examples of flexible hierarchy in practice as follows:

- These examples show that it is possible to transform an already existing hierarchical organization into a self-organizing and flexible social structure. This example highlights that a traditional small-sized technical company may successfully change a hierarchical pyramid into a flexible and process oriented structure without designated managers.
- These flexible structures not only include, but even encourage competency-based leadership among all the employees. In such a structure, hierarchies are still in place, but they are based on differences in competency instead of ranks and promotion. As competencies are related to business-relevant topics, an individual may be a leader in one area and a follower in another. In that process, employees are peers who decide on leadership roles among them in a context-specific way. Arguments are judged with regards to contents, not power. To establish

such a “flexible hierarchy” means that the organization tends to avoid rigid structures which would hinder competency-based activity towards reaching the purpose.

- Several cases emphasize the roles of owner and CEO. Without their support or at least acceptance, such a structure could hardly come into existence. Their mindset and attitudes are decisive. Such a flexible structure requires their willingness to let go of the traditional vertical understanding of power, command and control. It also suggests that shared leadership is possible even if there is no trace of traditional vertical leadership left anymore. Moreover, it is not restricted to knowledge work, but also is applicable in manual work environments (compare Pearce 2004).
- This case does not necessarily imply that every organization should change to shared leadership and flexible structures. However, such structures seem to raise the organizations’ ability to adapt and to innovate. Hence, in times of turbulent and ambiguous business environments, owners and leaders would be well advised to question the appropriateness of the command and control paradigm. To replace centralized power by collective intelligence could increase the organization’s ability to survive and to achieve its purpose.

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