

# Organization Structures and Performance

Organizations' performance is a complex and abstract function of many variables, namely: clarity of directions; individuals' competence level and motivational orientation; social interactions within the organization; task autonomy and coordination; and last but not least, work culture. Organizational structure needs to be compatible with the nature of these variables, for it can either facilitate or restrain performance. Recognizing this critical function of structures, organizational practitioners and theorists have propagated different structures, such as tall administrative hierarchies based on division of labor; flat hierarchies with broader spans of control at individual managers' level leading to cost efficiencies; reformed hierarchies which aim to optimize the advantages of conventional administrative hierarchies while instilling synergy in the organization's processes; and team structures, introduced essentially to execute complex projects. Let us do a critical review of each type with the aim of understanding when and where a particular structure fits best.

Tall administrative structures are control-oriented and are suitable for work situations where efficiency prevails over effectiveness and mechanistic discipline is required. These are typically the product of Theory X. Individuals are required to execute broken and simplified tasks repetitively, thus reducing response time considerably. Individuals with minimum skills usually suffice. However, the environment is generally too mechanistic, which inhibits sense of achievement and shifts motivational orientation from work excellence to personal gratification, therefore generally inhibiting individuals' productivity. Hierarchy syndrome is also manifested in the process of passing on task responsibility from one individual to another until it reaches the most junior person. In such cases, people in the middle do nothing but pass on their task responsibility to the next junior person. In other words, there are more supervisors than doers. The development of this structure coincides with the industrial revolution, which required mass production. Hence, it very well fulfilled the needs of that era, but may not be suitable in other scenarios.

Though tall hierarchies are pyramid-like structures, they are inverted in the sense that they contain more administrative positions and fewer executive positions, meaning more people are tasked to control fewer people, such as in the middle tiers. Consequently, their performance is minimized, and they tend to claim subordinate execu-

tives' cumulative performance as their own. Quote: "Once a training officer who was tasked to manage sponsored trainings listed all the programs

he developed and executed in his Performance Review. His manager, a typical administrative manager, called him in and argued that whatever he had done, he did on the manager's behalf; therefore, he should delete all the programs from his Performance Review as they will be reported under the manager's performance review." Unquote.

Flatter hierarchies are designed to reduce the number of administrative positions by assigning enlarged and enriched responsibilities to fewer persons. However, managers still operate from an administrative orientation, with the exception that their span of control is widened. Consequently, the middle tier is considerably reduced, thus reducing costs. However, the need for instilling synergy in the overall organizational process remains unaddressed.

Hierarchical structures are not dysfunctional in absolute terms. They have some critical advantages, such as providing a basis for discipline, systematic communication, and, last but not least, order. However, the overly administrative system and status incongruence built into it undermine these advantages. A reformed hierarchy can help optimize advantages and eliminate disadvantages.

A reformed hierarchical structure requires minimizing the administrative role of managers, empowering them to perform complex technical and managerial activities, and tasking them to contribute real value to the organization. Managers who were previously functioning mundanely as administrative managers should be retooled as process managers and tasked to add additional value to the organization's value chain. In the emergent scenario, jobs of managers and executives are redefined along the organization's value chain, as one person's output becomes another person's input. Moreover, individuals along the hierarchy should be identified by their respective value-addition roles rather than by their status, with a clear understanding of their interdependencies, communication channels, and coordination lines.



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To sum up hierarchical structures, in traditional hierarchies, administrative managers focus on controlling others to get the job done. They are not specialists themselves but rely on authority to accomplish tasks. Administrative managers refer to their titles as a source of status, which often leads to dysfunctional status incongruence. In contrast, in reformed hierarchies, process managers are specialists handling enlarged and enriched responsibilities, making them more productive. They focus on their unique contributory role rather than claiming credit for others' performance.

Projects are complex tasks requiring cross-functional expertise, similar to the role of C-level managers having strategic responsibilities. Just as C-level managers must intervene and make decisions across diverse functions, projects are virtual organizations in themselves, requiring diverse competencies. Project teams should consist of individuals from diverse specializations—marketing, operations, finance, research and development, etc. Hierarchical structures do not work here, as individuals representing diverse expertise cannot be identified as seniors and juniors; they must work interdependently. Team structures are designed to provide a compatible environment for projects.

Ideally, in teams, every individual brings a unique competence and is considered a group member rather than a senior or junior. While team structures have advantages, they also present challenges. The most common challenge is the emergence of status incongruence. Group members originally belong to the larger organization and continue to identify with the administrative hierarchy. Sometimes, they assert their administrative status in team interactions, trying to prevail over others with lower ranks. Other challenges include inability to negotiate perspectives, pursuing personal agendas instead of teamwork, and political struggles for authority, generally termed the "Storming Stage."

It is evident that the team process must be evolved and harnessed for optimal performance. Teams evolve through four stages: Forming, Storming, Norming, and Performing. A leader acts as a catalyst in guiding this evolution.

In forming a team structure, it is crucial that skill diversity is ensured in line with team objectives.

*Quote: "Design of the Boeing 747 door was state-of-the-art technology for its time. The designing team consisted of individuals with diverse skills – aircraft design engineers, technical staff, pilots, and even cabin crew." Unquote.*

Once all members are on board, competition for valuable positions often emerges. People may leverage administrative authority, causing status incongruence

and reducing synergy. It is necessary to overcome this stage quickly to move to the norming stage.

In the norming stage, working norms are defined; key responsibility areas are allotted based on roles (not ranks) and unique skill sets; communication channels and coordination requirements are established; and interdependencies are defined. These interventions prepare the team for more harmonious functioning.

Once norming is complete, the team should be put into action. Plans including KPIs and deadlines should be prepared consultatively. Team performance must be monitored and evaluated to provide feedback and ensure progress in the right direction. Timely appreciation is as important as pointing out gaps.

Team interactions vary depending on mandate. For instance, a surgical team requires specialized roles, strict coordination, and one person in charge of decisions. A football team has defined roles but allows role flexibility based on situations. Coordination remains essential, but different individuals may take charge in different scenarios, reflecting a typical matrix organization. These examples have implications for typical organizations as well.

### Conclusion

It is clear that different structures are warranted in different situations. Some organizations evolve from tall administrative hierarchies into flat hierarchies and teams as a development strategy. Ironically, teams have become a modern face of hierarchies. Some organizations attempt to introduce team nomenclature within administrative hierarchies, but this is often pseudo change. It is better if organizations move from administrative structures to process structures altogether.

Organizational structures should be crafted with caution and prudence. Choice of structure should be based on the following criteria: nature of work; maturity and competence level of employees; and organizational culture. Ministerial work requiring routine tasks may suit conventional command and control; in this scenario, a tall administrative hierarchy suffices. Flat structures are less costly, but their administrative design continues to inhibit synergy. Reformed hierarchical structures preserve discipline, systematic communication, and order, while reducing administrative roles and tasking managers to add real value, thereby ensuring synergy. Team structures are particularly suitable where cross-functional individuals are organized to address critical situations, such as solving wide-ranging problems or innovating systems or products on a project basis.

**About the Author:** The author writes in management and personal development, and is an HR/Organizational Development (OD) Consultant and Executive Coach. In addition to his own freelance activities, he holds a volunteer position as Sr. Advisor / Collaborator at Consultra – an educational and training consultancy.