THE UPS AND DOWNS OF
HIERARCHIES

BY SARAH LINNEY

WITH MODERN AUSTRALIAN COMPANIES IMPLEMENTING INCREASINGLY INNOVATIVE MANAGEMENT METHODS, SOME EXPERTS ARGUE THAT TRADITIONAL HIERARCHIES HAVE BEEN LEFT BEHIND.

The CEO Magazine spoke to Principal Corporate Psychologist at Insight Matters Stephanie Thompson and speaker and consultant Graham Winter on this pressing issue. In addition to his speaking commitments, Graham is also the bestselling author of *Think One Team* and the recently released *First Be Nimble: How to adapt, innovate and perform in a volatile business world.*

These two experts go head to head on the evolution of traditional hierarchy and the new breed of management structure.

The CEO Magazine: Why do you think traditional hierarchies are evolving and becoming flatter in modern Australia?

Graham: I think it's due to a combination of cost reduction, a need for faster decision making and responsiveness and, in some cases, a genuine desire to empower people who are closer to where the issues are arising.

Having said that, the experience of many in corporate Australia is that the hierarchy may look flatter on the organisation chart, but that's not what is experienced in practice.

Instead, people aren't letting go of the decision-making operating processes, or alternatively there is less certainty about responsibility and decision making, so the decision-making avenues have become blurred or elongated.

Stephanie: Hierarchies are flattening because business moves faster these days and competition is vibrant. There's less time for multilevel consultation and no room on the balance sheet to carry long-tenured non-producers. Key performance indicators don't include criteria like 'sticking around'; they are all about skills, style, and outcomes.

We are also becoming less hierarchical as a society and less tolerant of others positioning themselves over us. It's not long ago that we wouldn't dare to joke about the Prime Minister, give feedback on a teacher's performance, or even talk with our doctors adult to adult. We
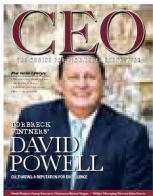
respect our children much more as sentient, sophisticated beings instead of speaking down to them and relying solely on fear-based compliance. I believe flatter hierarchies are partly a reflection of our emotional maturity as a culture.

Critically, there are also more women in the workforce than ever before. Female culture tends to be much flatter. Hierarchies are a very masculine construct.

What are the benefits of traditional hierarchies?

Graham: Traditional hierarchies provide certainty, and therefore comfort, for people and a 'chain of command' when followed.

This offers technical consistency, while rewarding and reinforcing behaviours that maintain the command-and-control environment and mindset.

This can be quite effective as a structure in a relatively stable environment, where information is controlled by the top of the hierarchy.

Stephanie: Hierarchies are natural, ancient social structures. They work. Though it's not fashionable to say so, leadership has a great deal in common with parenting, and teams operate very much like families. People feel comfortable with a degree of hierarchy. It's very natural for a senior or elder to provide direction and 'raise' those with less experience.

What are the disadvantages of traditional hierarchies?

Graham: There are several disadvantages that I often hear

raised by leadership teams as reasons why they want to reduce the hierarchy.

A large hierarchy has a lot of fixed costs and structures that restrict flexibility and agility, which is a problem when adaptation is needed. Silo behaviour, across and up and down the organisation, gets reinforced, and this slows down the 'value chain' and stifles innovation and responsiveness. Compliance is encouraged at the price of examining and challenging the status quo, which is so important in disruptive times.

It also fosters a 'management' more than 'leadership' style, which doesn't fit with being an employer of choice. Finally, it results in limited transparency that doesn't appeal to many employees, and reduces the quality of decision making.

Stephanie: Excessive, groundless hierarchy is inefficient and makes people miserable.

When too much control is wielded by one person, other capable people are not fully leveraged. Decision making becomes slow and removed from the frontline where the business is actually being done. When the back end doesn't understand what the front end is doing, the whole organism slows down.

There is also a major problem with sociopathic traits concentrated at the top of powerful hierarchies in business and politics. The 'take-no-prisoners' approach of some domineering and manipulative personalities enables them to climb into these power-wielding roles more easily than their moderate counterparts. Of course, it's the latter who we would usually prefer to be running the show.

What do you think are the best management structures?

Graham: Whatever best aligns with the business strategy and values. The reality is that you can have any sort of structure in place and still make it a vibrant and energising environment. It is the values, behaviours, and practices that sit around the structures that define what really happens. ⋯⋰

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Stephanie: The best management structure depends on the business. Old wisdom suggests that teams should consist of no more than 12 people, like a large family. However, I have encountered teams of several hundred in the health services being overseen by individual managers, albeit very capable ones. It's impossible to do justice to each contributor's professional development and performance management within such a structure.

What management structures or hierarchies do you recommend to your clients?

Graham: The only strategy that makes sense in a disruptive world is to build an organisation that can flex and adapt. A structure of nimble, connected teams is arguably the most adaptive model, which means that team leaders play a vital role in leading, building, and connecting teams. Additionally, instil a 'one-team' values system through applying disciplined tools and protocols so people and teams are increasingly skilled at aligning, collaborating, and learning.

These principles and capabilities then enable clients to work in anything from a hierarchy to a matrix because people can form, disband, and re-form any type of team and have a common language and approach.

Stephanie: Firstly, avoid matrix structures. Having more than one master is rarely conducive. It's like a separated family where there are different rules at Mum's house and Dad's house.

The ideal structure depends on the main tasks and size of the business. Smaller businesses are necessarily flatter, because everyone has to be producing. There's no funding for layers of administrative management. Large business units with quite procedural, lower-skilled work may also do

well with a flat hierarchy, at least administratively speaking.

Businesses which depend on a high level of subject matter expertise usually do much better with a blended hierarchy—for example, providers of complex professional services such as law, social work, or medicine. Most of the workers in these industries are sophisticated, motivated people who need peer consultation much more than they need to be led, so they should be structured as small, specialised teams. However, they do need administrative management, so this should be provided over or across teams. Having small groups like this necessarily means an extra layer of hierarchy—a deeper hierarchy overall—but critically the culture of the teams need not, and should not, be hierarchical.

This is perhaps the most critical distinction. It's overly hierarchical cultures that people dislike more so than hierarchies themselves. Professional people typically value having someone to learn from, to take the lead and coordinate the work; they just don't like to be spoken down to, coerced, or controlled.

These are separate concepts, and it's essential to appreciate the difference.

Where do you see the evolution of hierarchies going in the future?

Graham: The continuing access to better data and the ability through technology to communicate and connect across any boundary suggests that the nimble, connected teams model is here to stay.

Having said that, I definitely see the 'partnering relationship' replacing the team as the more important performance unit. People will be a member of multiple teams, but it's ultimately their ability to work in partnerships that makes those teams effective and defines their real value to the organisation.

That means that technical skills are a 'given' and that emotional intelligence and related skills will become increasingly important as the 'experts-in-silos' model gives way to a more open and collaborative world.

Stephanie: Competitive demands shape hierarchies quite efficiently, such that businesses will tend to take the most efficient shape over time. It's an objective, practical thing, largely ordained by the industry and market demands.

The variable that remains within our power to manipulate, therefore, is culture: how people behave within hierarchies, whatever their shape. A lot of power lies here to affect business outcomes because once a culture shifts for the better, it tends to be self-sustaining, seemingly powering a business all by itself.

It begins with a clearly articulated definition of the desired culture, followed by recruiting people into key roles who naturally display the traits and attitudes needed to drive that culture. When it's done right, it's not as hard as people think. ○