Structure? We Don’t Need No Stinkin’ Structure!

William H. Bishop
Regent University

Structure is an integral component for any organization. It provides a foundation upon which to build and establishes the path of communication and the flow of information. Hierarchies have reigned supreme for decades but are not without their shortcomings. They interrupt the natural order of business and are often an impediment to communication. Hierarchies provide the unintended consequence of allowing employees to rise to their level of incompetence, better known as the Peter Principle. Globalization has caused many organizations to reduce the number of layers within their hierarchies and provided the impetus for the leveling of the hierarchical pyramid. Many organizations have gone a step further by removing any traces of a traditional structure in search of a more efficient design. The lack of conformity to an existing structure does not negate the presence of a structure, however. It validates the need for organizational structure regardless of whether or not it is wanted.

Organizations, like architecture, require structure to exist. Buildings must have a framework of support columns that provide room for growth, expansion, and direction. Most importantly, buildings require structure in order to remain a cohesive unit. Organizations are not really so different. They too require structure in order to grow and expand, and structure is imperative for providing direction, especially in a global economy.

Scholars, pundits, and business mavens have long studied organizational design and have posited many theories, observations, and conclusions. Galbraith (2002) identifies several different types of organizational structures – “functional, product, process, market, and geographical.” Within the confines of these various structures exists a degree of centralization and a hierarchal system of governance.

As a Navy veteran, I have experienced organizational hierarchy to the extreme. Perhaps no other organization relies on the hierarchy design, better known as the chain of command, as much as the United States Military. On the surface, the structure of the organization does little more than establish a pecking order that is useful for determining compensation levels and perquisites. Much like its civilian counterparts, the military’s organizational structure differentiates between
junior and senior personnel. In the military, the structure, based on rank, is more obvious and identifiable since it is worn on one’s uniform.

However, for all its allure, luster, and grandeur, I cannot help but wonder if such an excess of structure is really necessary in any organization. Do the various structural levels of an organization exist to serve the mission and objective of the organization or do they exist as separators on the organizational ladder of success, dividing the privileged from the common? This article explores the nature and rationale of organizational structure as it relates to a divergent workforce in a global economy. Furthermore, as the title suggests, it argues that organizations do not need as rigid a structure – hierarchies, in particular – in order to run efficiently and effectively.

Hierarchies

Hierarchies have been the status quo for many organizations and can easily be represented by a pyramid with the apex of the pyramid representing the top of the organizational structure, i.e. the CEO, COO, or president, while the base represents everyone at the bottom of the organization. In between the two are a mixture of supervisors, managers, and executives, the number of which depends on the organization and the desired, necessary levels of control. Leavitt notes:

Hierarchies are, as they have been for centuries, “normal” and prevalent everywhere. The hierarchical pyramid is probably the single element we are most likely to envision when we hear the word organization. Hierarchies pervade democracies, theocracies, oligarchies, monarchies, and autocracies.³

All hierarchies may not be created equally or exist to serve the same functions. However, they all possess a “vertical arrangement of subsystems which comprise the overall system, priority of action or right of intervention of the higher level subsystems, and dependence of the higher level subsystems upon actual performance of the lower levels.”⁴ Selecting and implementing a particular hierarchy requires identifying its shape and structure based on the needs of the organization.⁵

Although the existence of hierarchies has pervaded a litany of organizations throughout history, they are not without their challenges. Hierarchies tend to “push people around…frustrate human intelligence…distort communication…and place obstacles in the path of good work.”⁶ Leavitt succinctly summarizes hierarchies by stating, “Their vertical designs violate the norms and values of horizontal, egalitarian societies.”⁷ In other words, hierarchies interrupt the natural order of business by creating an unnatural, and often unnecessary, impediment to the flow of information, communication, and the organizational process.

If hierarchies impede the smooth operation of an organization, why do they exist and why have they been the structure of choice by so many organizations for so long? Hierarchies are a form of corporate governance and provide the justification for misaligned incentives.⁸ That is, their various levels afford exorbitant compensation for those at the top of the pyramid, which is often a source of contention for those at the lower levels. The American dream is based in part on the potential for upward mobility within society and organizations. However, the unbalanced
economic compensation within organizations has created “widespread expressions of discontent.” This is one area in which hierarchies fail.

Another problem for hierarchies lies in communication. Creating multiple levels of control within an organization may appear logical and conducive to efficiency. However, “levels in a hierarchy potentially lead to distortions in the transmission of information and implementation delays, while spans of control are limited by how much information a manager can process.”

Yet, for all the negative effects associated with hierarchies, they are prevalent in organizations throughout the world.

**An Unintended Consequence**

Perhaps one of the reasons hierarchies exist is to serve an unintended consequence. Their pyramid structure requires dedication and tenacity if one is going to ascend the ranks, as it were. A combination of talent, skill, and business acumen, along with a little luck, can provide an individual with the opportunity to reach the next rung on the corporate ladder. At the same time, the hierarchy can provide the means and opportunity for employees to reach their level of incompetence, which is better known as the Peter Principle. The Peter Principle posits the idea that through a series of promotions within an organization, an individual will eventually reach a level beyond which he cannot be promoted due to the limitations of his abilities. Thus, he has reached his level of incompetence because he cannot perform on the next higher level.

This principle assumes that promotions occur based on competence alone. Fairburn and Malcolmson note that promotions “help assign people to the roles where they can best contribute to the organization's performance [and they] serve as incentives and rewards.” While these are valid reasons to promote individuals up the hierarchical structure, the challenge of promoting an individual to a position commensurate with his skills and abilities still exists. This is particularly true if the promotion is part of an incentive. Using promotions in this manner can result in laxer standards for the promotion than would otherwise exist and can very well lead to the manifestation of the Peter Principle.

Regardless of why individuals are promoted, the fact that they are eventually promoted contributes to the existing organizational hierarchy by increasing its size either vertically—for example, if a new position is created—and horizontally, by adding more bulk to an existing layer. However, we must consider “the timing of promotions during a worker's career depends on performance and inferred skills.” As such, the hierarchy will remain intact and unchanged most of the time, changing as the need and situation dictate.

**Leveling the Pyramid**

While hierarchies have been the standard structure for many organizations, the rise of the global economy has had a leveling effect. “Firms are flattening their corporate hierarchies. Spans of control have broadened and the number of levels within firms has declined.” The reduction of organizational levels has resulted in a new form of structure—the flat organization. The name is misleading in that it implies a one-level organization. This is simply not the case. “Flatness of
organizational structure describes an organization's relative number of management levels in the chain of command.”17 The hierarchy still exists; it is just smaller.

This is a growing trend in modern businesses. “Companies have been flattening out their management hierarchies in recent years, eliminating layers of middle management that can create bottlenecks and slow productivity.”18 This has resulted in “more teamwork, less bureaucracy, better communications, opportunities for professional development, and greater job satisfaction.”19

Flat organizations are similar to decentralized organizations, “meaning that the authority of individuals and teams is enhanced.”20 Decentralization has become more prevalent due to globalization. Palanithurai and Ramesh observed, “Decentralization is the direct and faster route to address the issues that globalization brings about.”21 Reducing the layers of a hierarchy and replacing it with a flatter, decentralized structure tends to increase information flow and improve communication.22 “Decentralization increases not only the productivity of groups in performing complex tasks that require much communication, but also member satisfaction and perceptions of group potency.”23

“Globalization and a rapidly evolving workforce is redefining how we think about competence, creativity, productivity, and the structuring of organizations.”24 Organizations are casting aside excess baggage and becoming flatter, which is a strategic choice.25 Flat organizations incorporate the collective will of the employees rather than the will of governing managers in the upper levels of the hierarchy. “In flat structures, all members participate in decision-making, perhaps as individuals, or in groups through voting and committees.”26

Globalization has turned the world into what Campo referred to as a tossed salad.27 That is, the world is more than just a mixture of personalities and cultures where individuality is lost in the blend. Rather, it is a cohesive combination of diverse cultures, economies, and ideologies existing simultaneously on the world stage. “[Globalization] is a complex, self-generative force that emanates from many sources and extends to every corner of the planet.”28 It involves changing demographics and a workforce with new abilities, skills, and capacities. Organizations have responded to globalization by restructuring—eliminating hierarchal levels, flattening the traditional pyramid, and embracing non-traditional ways of doing business. However, we must ask, will the pyramid ever be completely flat? Will the hierarchy ever be placed in the trash heap? Some organizations are in the process of trying to make that happen.

A Structure by Any Other Name

The age-old argument that nothing is in fact something is applicable to organizational structure. Can an organization exist without structure, and if it does exist, does its existence alone indeed connote a structure regardless of its name, shape, or size? One organization has been without a hierarchy or a contemporary structure since its inception. The Valve Corporation in Bellevue, Washington has no bosses, no hierarchy of which to speak.29 Essentially it exists without a structure.
At Valve, there are no promotions, only new projects. To help decide pay, employees rank their peers—but not themselves—voting on who they think creates the most value. Any employee can participate in hiring decisions, which are usually made by teams. Firings, while relatively rare, work the same way: teams decide together if someone isn't working out.30

Valve Corporation is not alone. Headquartered in Woodland, California, Morning Star is the world’s largest tomato processor. Their mission is to “create a company in which all team members will be self-managing professionals, initiating communications and the coordination of their activities with fellow colleagues, customers, suppliers, and fellow industry participants, absent directives from others.”31 W. L. Gore and Associates is another example of an organization that rebels against traditional structure. Gore “is organized as a loose network of employees responsible to each other and their projects but lacking job titles.”32

Although the aforementioned organizations lack a traditional structure and are essentially flat in comparison to their contemporary counterparts, I must again return to the question of whether the lack of a formal structure invariably constitutes a structure. Philosophically speaking, we could ask, if someone builds an organization but denies its structure, is it still an organization? In response to this quandary, I am reminded of the lyrics to an 80’s song, Free Will, that state, “If you choose not to decide, you still have made a choice.”33 If organizations shy away from traditional structures and fail to identify or name what structure they do have, that is certainly their business. However, making such a choice does not negate the existence of a structure.

In his book, Flatland, Abbott describes a world in which dimensions do not exist. Shapes move “on or in the surface, but without the power of rising above or sinking below it.”34 Throughout his work, Abbott describes life without dimensions and how differently the world functions due to the absence of dimensions. Yet, for all its grandiose and clever thought, the author admits that a line on a piece of paper at a microscopic level has a degree of dimension. That is, it has height and depth in addition to its single width. Therefore, even though he creatively demonstrated what the world would look like in a single dimension, Abbott nevertheless affirmed the existence of three dimensions, no matter how minute the scale.

The same can be said of organizational structure. No matter to what degree or how few levels it may have, organizations possess some form of structure. Hamel concluded, “Structures need to appear and disappear based on the forces that are acting on the organization. When people are free to act, they’re able to sense those forces and act in ways that fit best with reality.”35 The advent of globalization lends credence to Hamel’s words as organizations have changed structure and adapted designs conducive to successful business practices in the global economy.

The Future of Organizational Structure

Hierarchies have reigned supreme for centuries. It is difficult to imagine they will be quickly relegated to the recycle bin in place of a flatter, decentralized structure. Yet, it is clear that globalization is impacting organizations and their design. As cultural boundaries are bridged and a new generation enters the workforce, organizations can expect more change.
In addition to globalization, another factor that must be examined is the changing demographic of the workforce, particularly the different generations in the workforce. “Generation Y make up a major portion of current workers, and will constitute most of the full-time workforce by 2020 as the Boomers retire.”36 This is a major change in technological skill and ability. Specifically, Generation Y workers “are more adaptable, confident, able to multi-task and technologically savvy.”37 As Baby Boomers retire and younger people enter the workforce, different expectations exist, which means organizations will have to adapt in order to be successful. This includes amending or revising current structural designs to fit the changing demographic needs of the workforce.

Pixar Animation Studio embodies what a future organizational structure might look like. There’s no denying the success of the studio, which produced the blockbuster hit, Toy Story and its two sequels. Pixar is a loosely structured organization, and that is putting it mildly. A few rules apply to their structure. The first rule is ‘no studio executives.’ Pixar is run by creative artists, or as [director] Andrew Stanton called it, ‘film school without the teachers.’”38 The creativity is not limited to artists and directors. “Everyone from janitors to auditors is encouraged to submit ideas, and all ideas are considered.”39 There is an open flow of communication reminiscent of decentralized organizations.

Perhaps organizations of the future will focus less on structure and more on flexibility, such as a networked organization, which “offers a way to design work and working relationships along both axis of structure and processes that will meet the needs of the work to be accomplished in the most effective and efficient manner.”40 Networked organizations provide flexibility and the development of lateral relationships across the organization. This fosters an environment of integration.41

Virtual organizations are another possibility. “Current trends indicate that companies of the future will become organizations with fluid boundaries, where even large companies may be confederations of smaller ones that constantly interchange with one another.”42 The economic challenges have caused some organizations to “outsource a number of organizational functions, replacing traditional structure with an interorganizational [sic] network or virtual organization.”43 Technology has made the world a smaller place, and globalization has connected economies across the globe. Economics is a prime mover driving globalization.44 As such, the use of a virtual organization expedites action while minimizing cost. “The virtual organization's structure enhances flexibility by supporting management's ability to respond quickly—and cheaply—to changed circumstances.”45 The organizational structure of the future may well not exist outside of cyberspace.

Conclusion

Structure is the sine qua non of organizations. It determines who does what, how authority is distributed, and how decisions are made. An organization’s structure is the computer equivalent of the kernel, the epicenter of action and decision. Although they are not without their shortcomings, hierarchies have been predominant throughout history and have served organizations well. Today, the majority of organizations operate with some form of hierarchical structure whether identified as such or not. A few lone organizations have successfully broken
with tradition and implemented alternative structures in which titles and levels do not exist. They have entered uncharted territory in the global economy and paved the way for other organizations to follow.

The addition of Generation Y to the global workforce presents new challenges for organizations, which must adapt their design to meet the needs and expectations of a new generation of workers who possess skills, knowledge, and abilities that far exceed those of previous generations. Organizations have responded to globalization and the rise of virtual organizations by flattening their organizations and adopting new forms of structure. Although organizations have attempted to eschew structure in any form in the name of progress and expediency, they invariably develop an operational format that allows work to get done and for decisions to be made. This alone infers a structure does, in fact, exist. While organizations may not necessarily need structure, they certainly find a way to create and implement one regardless of its name or the academic theory under which it falls.

The title of this article is inspired from a line in the movie, *Blazing Saddles*, in which would-be deputies assert they do not need badges to do their job. After all, the badge is merely a symbol of the law, which exists without the presence of a badge. Well, it might exist without the presence of a badge, but when the bullets start flying, a badge helps tell the good guys from the bad guys. In other words, it provides identification and serves as a symbol of the law. We may not need organizational structure, but as this article has demonstrated, it does have its advantages. And for the foreseeable future, it’s here to stay in one form or another.

**About the Author**

William Bishop is the founder and chief executive officer of the Bishop Advisory Group in Virginia Beach, VA. He has published articles in *Talent Management*, *Journal of Human Values, Journal of Values Based Leadership, Global Business and Organizational Excellence*, and *Proceedings*. He is a Doctor of Strategic Leadership candidate in the School of Business & Leadership at Regent University and is a graduate of the Harvard Business School Executive Education Program.

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