

POINT OF VIEW

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# Fading hierarchies and the emergence of new forms of organization



Stephan Billinger<sup>1†</sup> and Maciej Workiewicz<sup>2\*†</sup> 

\* Correspondence: [workiewicz@essec.edu](mailto:workiewicz@essec.edu)

<sup>†</sup>Stephan Billinger and Maciej Workiewicz contributed equally to this work.

<sup>2</sup>Department of Management, ESSEC Business School, 95021 Cergy-Pontoise, France  
Full list of author information is available at the end of the article

The goal of this special issue, “Fading hierarchies and the emergence of new forms of organization”, is to address an important phenomenon—the slow but steady replacement of traditional top-down hierarchies with more decentralized structures where employees are given significant autonomy in how to carry out their work or which projects to undertake. The popular press, business books, and several articles published on the pages of this very journal have been describing, often in optimistic and upbeat tones, the new breed of organizations where traditional superior-subordinate relationships have been significantly modified or eschewed entirely. Here we recommend the readers explore the excellent Organizational Zoo articles in this journal to find descriptions of such organizations (e.g., Burton et al. 2017, Hsieh et al. 2018, Puranam and Håkonsson 2015).

This special issue focuses on the ongoing trend of flattening of organizations. Following the editorial strategy of this journal, we are interested in new forms of organization, associated systems and processes, and outcomes stemming from unorthodox organizational forms. In a few selected articles the contributors to this special issue make a number of relevant observations concerning recent developments and raise several important points. In this editorial statement, we share some reflections regarding the contents of these articles and offer our own interpretation of key points contained therein, as well as elaborate on fading hierarchies which are being replaced by new forms of organization.

When developing this special issue we were motivated by the oft-reported disappearance of traditional hierarchical forms that occupied scholarly articles as well as the minds of managers and organizational designers at least as early as Weber’s seminal book (1954) on law in economy and society. Particularly, in recent years the rapid advancement of information technologies (IT) like Internet and artificial intelligence (AI) has created opportunities to introduce novel organizational forms that were impossible to conceive not too long ago. Often technological advancements are joined by emerging societal desires and sensibilities which are pushing many organizations to get rid of some of their bureaucracy to attract autonomy-seeking Millennials who wish to have more control over what they do at their workplace (Lee and Edmondson 2017, Turco 2016). Thus, a novel organizational form is often synonymous with being less hierarchical and less bureaucratic.

### **Novel organizational forms**

What makes an organizational form unorthodox or novel? Puranam, Alexy, and Reitzig (2014) have suggested that to be truly novel, an organizational form in question should be solving at least one of the fundamental problems of organizing (task division and allocation, reward distribution, and information provision) in a new way when compared to other organizations that share similar goals. Their approach is useful in that it provides a structured way for defining new forms of organizing, and proposing an approach to determine whether a given solution is novel enough to qualify. However, the task of proving novelty remains challenging for many scholars or practitioners. Given that each of the four fundamental problems can be solved in a practically infinite number of ways (depending on how finely we are prepared to partition the possible variants of organizational culture, leadership styles, incentives schemes, etc.), there is a huge variety of possible combinations, with differences between individual forms sometimes being imperceptible. Even if only some of these combinations produce viable forms, we still end up with a rather large search space where many promising solutions (peaks) may need to be evaluated (Levinthal 1997). At the same time, new solutions to the fundamental problems are being discovered as the Organizational Zoo examples suggest. Chandler (1962) has documented how new technologies, like rail and telegraph gave birth to new forms, like the modern corporation, a form that was unfeasible before. Thus, it is natural to expect that the current rapid progress in IT and AI technologies will continue to produce new possibilities.

Similarly, we should not neglect new organizational forms that are simply a contemporary application of pre-existing organizational solutions. One frequent critique of novelty in organizational forms is that, most of the time, if we search well enough we will find that a given “novel” solution has in fact been around for some time already; sometimes even in similar settings. Indeed, when looking at the self-organizing companies like Valve or GitHub, one may compare to the examples dating back to the anarchist movements of the nineteenth and early twentieth century Europe. Kropotkin and Bakunin, the two leading thinkers of the anarchist movement in the nineteenth century, defined anarchy as essentially a philosophy opposed to authority. Following this philosophy, in the 1930s workers in Catalunya, Spain, took control of the local industries and organized themselves in collectives that practiced self-management (Marshall 2009). Similarly, early Kibbutz movement in Palestine further borrowed some of the ideas from the early anarchist movement. W.L Gore is another widely known and more recent American example of this from the 1960s. Can we thus claim that there is anything interesting or new about GitHub or Valve? Should these organizations deserve a closer study if they simply repeat long-existing solutions?

We would like to argue that there is one type of novelty that may be more important to organizational scholars and practitioners than those proposed above. Part of the reason behind creating this journal was to have a platform where academic community interested in the topics of organization design can exchange ideas. Thus, “novel” can equally be defined as new to us, researchers who study organizations. As long as a given organizational form or, more specifically, a particular solution to the fundamental problem of organizing has not been sufficiently described and analyzed, we can refer to it as novel, study it, and share our findings. While risking a rather crude comparison, we may say that just like a biologist capturing a new butterfly can proclaim a new species

does not imply that the butterfly did not exist before being discovered. Furthermore, even if a given form or solution has been described in the past, there can still be something new and interesting to say about it. Discovering how the Morpho butterfly produces the beautiful blue color of its wings happened long after the species was discovered, named, and described (Vukusic et al. 1999). We could thus propose another approach to novelty in organizational forms and ask, “What *new* can we say about novel or old forms of organizing?”.

It is important to mention here that we do not want to imply that scholars should have a monopoly on deciding what is new and interesting about organization design. We are simply speaking about specific interests of the academic community and debates within this community on which organizational forms are truly new and worthy of study. Some may accuse our position of encouraging unnecessary Columbism in academic research, where a researcher finds a new form, plants a flag, and proclaims discovery, when in fact the organizational form in question has been already widely applied and discussed among practitioners. That is not our intention. We simply recognize that applying a scientific method is the correct approach to studying and understanding social phenomena (Lave and March 1975, Simon 1969). Thus, not all that is novel to a scholar will be novel to a practitioner, but also not all that is novel to a practitioner will be novel to a scholar.

### **The value of case studies**

Reflecting on the articles published in this special issue, as well as those published in this journal over the years, we wanted to highlight the value of looking up close at these new forms of organizing. Similarly to biology, possessing identical genotypes does not automatically mean that the phenotypes will be the same. While two organizations may resolve the fundamental problems of organizing in the same way, the actual expression of these genes can make all the difference between a functional and dysfunctional organizational form. Often subtle differences in culture, the character of a founder, managerial biases, and background can significantly impact efficacy of a given organizational form.

Consequently, it would be hard to claim that organizations with little or no formal hierarchy to manage their affairs are novel to the world. It would be equally difficult to say that hierarchies fading or disappearing is a recent trend—or a trend at all. We simply do not have enough systematic studies to conclude what proportion of organizations have abandoned strict formal hierarchies in favor of flat, matrix, or self-organizing solutions and whether this proportion is growing over time (see for example Guadalupe et al. 2013). We know they exist and we are aware that they remain relatively understudied compared with traditional hierarchical forms. Thus, these forms are certainly “emerging” as an interesting and promising area for study. Many questions remain unanswered, however. What makes these forms perform better than traditional alternatives? What specific bundles of organizational features produce effective non-hierarchical forms? In what types of environments should one turn towards non-hierarchical forms? Does the type of employees matter for the performance of such organizations? What are the possibilities for embedding non-hierarchical or less-hierarchical forms in organizations? What is the role of leadership in such firms? What are underlying processes by which new organizational forms affect decisions and outcomes? These are the questions that will

need to be answered in greater detail and questions that we were inspired by when coming up with this special issue.

### **Summary of the articles included in this special issue**

The field study by Griffith et al. (2018) uses the literature on substitutes for leadership (Dionne et al. 2005, Kerr and Jermier 1978, Podsakoff et al. 1996) as a point of departure to develop a conceptual model that explains work engagement and the role that managers play in facilitating it. The authors test their model using Scandinavian datasets to show that feedback from work and technological support have the strongest relationship with work engagement. They further find that supervisor electronic communication, mediated by alternative workplace use also plays a role in explaining work engagement. Overall, the findings show that complements, rather than genuine substitutes, may help managers adopt a supervisory leadership style that considers recent developments in society. This includes electronic communication and alternative workplace usage but also builds on having work that provides direct feedback and does not require interpretation by a supervisor. These findings are important for new organizational forms as they highlight that hierarchy in new organizational forms still exists, but uses different means to monitor and supervise people, who in turn respond by displaying higher work engagement.

The case study by Livijn (2019) examines the role of middle managers during an organizational reorganization. Building on prior research on middle managers (Balogun and Johnson 2004, Huy 2002, Wooldridge and Floyd 1990), Livijn uses in-depth analysis to show how middle managers not only implement strategic rationale that top-level executive developed and imposed on the organization, but rather actively develop their own micro-design that was essential for macro strategy to be implemented. Livijn thereby highlights a new role of middle managers, the role of *designing*, which prior literature had not identified before. She finds that this role requires middle managers to engage less in vertical communication with senior executives, but instead increase lateral communication that seeks to develop solutions in a decentralized and more collaborative way. Overall, the findings complement prior research which already had highlighted the importance of middle managers, for instance, taking into consideration organizational continuity and sensemaking during restructuring and strategic reorientations. Livijn's insights stress the importance of *designing* as a core role of middle management and highlight the need for new organizational forms to consider decentralized organization micro-design to create fit in a given context.

The paper by Kolbjørnsrud (2018) investigates mechanisms underlying collaborative organizational forms that build on unconventional hybrid governance structures. The study uses work on the basic functioning of organizations (Adler 2001, Bradach and Eccles 1989, Puranam et al. 2014) as a point of departure to examine how the three archetypes; hierarchy, market, and community are prevalent in new organizational forms. Kolbjørnsrud showcases various organizational examples that adopted new forms, in particular, new hybrid organizational forms that rely on a combination of these different archetypes, e.g., how an adhocracy relies on community and hierarchical organization, or how crowd contests build on market and community forms of organization. Kolbjørnsrud also shows how these archetypes (i.e., market, community, hierarchy) address universal problems of organizing concerning task division and allocation, reward distribution, and information provision. Overall, the study provides an

overview of new (hybrid) organizational forms and how they function. It shows how collaborative structures may replace traditional forms of organization and highlights the role of technology and how it facilitates, for instance, crowd-based solutions.

## Conclusion

Hierarchy, or more precisely formal authority, serves many important roles. It has emerged early in human history as a solution to coordinate actions of a large number of people with diverse and specialized skills and holds them accountable for getting work done (Jaques 1990). As hierarchy will remain to be used in the foreseeable future, the purpose of this special issue was to examine different ways in which hierarchy can be altered or, if feasible, replaced by non-hierarchical organizational solutions. It is often true that one learns about and appreciates a phenomenon more when considering an alternative without it being present.

Overall, this special issue continues the tradition of the journal by presenting papers that bring forth specific examples of organizations and invite contemplation of novel organizational forms. Key to all these organizational forms is the specific role of formal hierarchy which is traditionally simply depicted with arrows from upper to lower levels in the organizational pyramid. What seems to emerge, not only from the studies within this special issue, is a wealth of empirical accounts that showcase the notion that this traditional depiction is too simplistic to adequately represent what is happening in contemporary organizations. Many members of an organization may not have one, but several bosses (Levinthal and Workiewicz 2018), or they work in a setting in which there may be a single boss but much of the daily work is delegated interaction with other organizational members that does not involve the boss (Dobrajska et al. 2015). Another example is self-adaptive workflow management (Hsieh and Lin 2016) in which algorithms determine what workers do, when and how they do it — and where the role of the boss is merely to intervene, if exception management is needed, or the approach to workflow management has to be altered in fundamental ways. Hierarchy in all these contexts is highly specific as it can only be understood by examining when a manager, or more generally others in the hierarchy, get involved as well as why, when, and how. This requires an explicit vocabulary to describe processes concerning organizational search and decision-making and how outcomes of any kind are evaluated and used by whom. This special issue sheds additional light on what is relevant within some new organizational forms and it thereby continued to develop new vocabulary to describe what is “new”. We would think that any form of fading hierarchy or new forms of organization are likely to require such vocabulary not only to better describe the underpinnings of hierarchy but more broadly to explain hierarchy’s role in today’s economy and society, and to build theory.

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**Author details**

<sup>1</sup>Department of Marketing and Management, Strategic Organization Design Unit, University of Southern Denmark, 5230 Odense, Denmark. <sup>2</sup>Department of Management, ESSEC Business School, 95021 Cergy-Pontoise, France.

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