# The Effects of Flattening Hierarchies on Employee Performance in Organizations: A Study of a South African Retail Group

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*Abstract*—For the last couple of years organizations have been urged to flatten their hierarchical structures in order to increase flexibility of employees and to empower employees with the decision making discretion. Flattening or delayering of organizational structures refers to the elimination of layers in a firm's organizational hierarchy and the broadening of manager's span of control. The decision to push down decision making to the lower levels of the organization presents employees with the freedom to be responsible for everything they do and also to be held accountable. Though it may have been suggested that flattened organizations are flexible and proactive, this paper will identify that through the flattened organizations managers still take the major decision regarding the organizations success and that the goal of flattening hierarchies isn't always achieved after implementation.

*Keywords*— Flattened hierarchies, delayering, empowerment, decision making, and accountability, power, control.

## I. INTRODUCTION

IT may have been argued that the goal of flattening hierarchies is to empower employees in the lower level positions by enabling them to be involved in the decision making process though it has been identified in some cases that the flattened hierarchies result in the emergence of highly restrictive structures. Tall bureaucratic structures restricted employee participation in the decision making of the organization and it was also inflexible and time consuming as decision had to flow down through the hierarchy from the top before they reached the people which the message was intended for. Though the flattened structures decision are made quicker, team work is encouraged, employees are more involved and participative and everyone feels responsible and takes account for every action and decision that's taken by the organization in order to ensure that the goals of the organization are met and that maximum profitability is reached. Though through past research it has been evident that though flattening has been evident, top management still controls the way tasks and responsibility are distributed and they take care of the major decision though the input of lower level employees is taken into account. Flattening of hierarchies is widely viewed as management's attempt to empower lower level employees by giving them the decision making discretion though in certain organization it has been identified that the team based approach has approach to operating has been employed though most employees still leave the decision making responsibility to their former middle managers as they view them as more experienced and knowledgeable when it comes to making critical decisions.

It has been identified that the former supervisors and middle managers find it hard to work hand in hand with the lower employees as they used to giving orders and not working with them which now causes conflict between employees at times. This study will aim to explode the different areas which are involved when hierarchies are flattened and it will focus mainly on does it affect the performance of all employees in the organization as a whole. As the goal of flattening the organizational structures has been identified as a toll to decentralize decision making and power, several cases based on past research have identified that the emergence of highly restrictive control structures in the flattened organization and informal hierarchies are evident

## II. LITERATURE REVIEW

Much research has been conducted on this topic though it focused me on the authority side rather than the impact of the study on employee productivity. In an attempt to address the issue, many authors have centered their studies on the authority factor which also has a highly effect on the productivity of the employee participation and involvement.
One of the most effective studies conducted on the flattening of hierarchies was by undertaken by Gillian, T. Flattening the organizational structure: encouraging empowerment or reinforcing control? Most of the objectives behind the flattening of organizational structure are driven by the productivity of individuals within an organization as management wants to get everyone involved in the running of the business.

**What is "successful" transformation of the organizational structure?**

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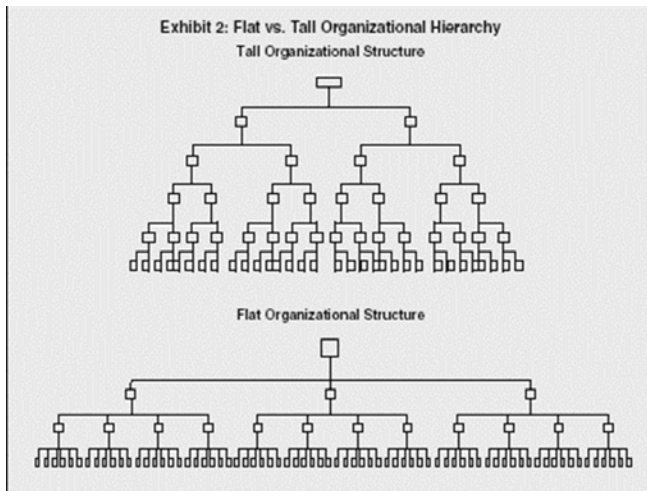
Fig. 1 Flat organization vs. Tall organizational structures
[www.jasbedi.wordpress.com

As mentioned previously they are multitude of methods for transforming the traditional bureaucratic organizational hierarchy. The self-managing organization allows people to control their own work and participate directly in decision making that affects the outcomes of their work. A true self managing organization requires more than just a cosmetic change in management style leaving asymmetrical power arrangements intact but less visible [1]. Although "bureaucracy bashing" has become popular among organizational theorists and practitioners, few companies have truly embraced the self-managing paradigm. But a paradigm shift is nevertheless happening.

The concept of empowerment in organizational settings: the psychological perspective and the rational perspective. The psychological perspective on employee empowerment emphasizes attempting to define self-perceptions of an employee who believes that he or she is empowered [2]. Advocates of the psychological perspectives argue that empowerment refers to a subjective state of mind in which an employee has the perception of efficacious control over his or her work. In contrast, the relational perspective on empowerment focuses on the sharing of power within an organization and how it is affected by the structure and culture of an organization.

Certain organizational structures or cultures create more or less conducive environments for the development of empowered employees. The general theme of the rational perspective is the relocation of power from the upper level of the hierarchy to the lower level workers [3].
An interesting element of the difficulty of changing from a traditional, bureaucratic structure to a flattened structure is the lack of specificity of organizational roles of employees. It was examined that changes in communication occurring as a result of radical organizational restructuring. Their research suggests that employees experience dramatic transformation when the organization is changed from a bureaucratic organizational structure to a team based structure. The advantage of employees in a team based structure is that they must participate in decision making rather than waiting for someone to tell them what to do. Because our culture still conditions

employees to the traditional, authoritarian concept of management and work, team members have to learn how to be responsible and active participants. Psychological research indicates that people have an internal model of authority formed early in life that they bring their work relationships with peers and superiors. It was found that employees who are traditionally "followers" find it extremely difficult to make transition to "participant". Also, employees who are used to functioning in the capacity of manager find it difficult to avoid directives and instead, provide "coaching" for the team. The flattened team based structure often places the traditional supervisors in the role of a coordinator, a role that many supervisors find ambiguous. In times of crisis, team members tend to revert to what is familiar to them: seeking guidance from a former leader. This puts the coordinator in an awkward position as individuals must avoid operating as an authority figure despite the team's inquiries. One of the leading researchers suggest that this ambiguity may result in the coordinators role becoming more directive. They also argue that teams should be trained not only in collaborative skills for effective team work but that the organization must foster a culture conducive to learning from mistakes so teams can function independently[5].

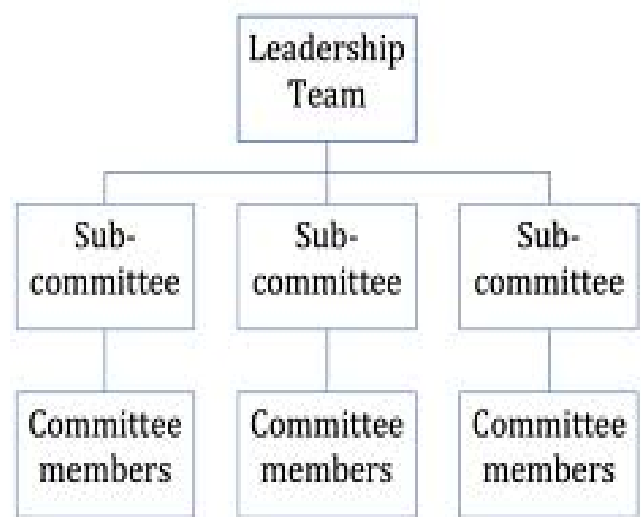**Power and control in flat organizations**



Fig. 2 Typical team based organization structure
[www.mindgenius.com]

It has been stated that self-managing organizations prevents people from centralizing authority or embedding power in fixed roles and it allows the firm to remain flexible and adaptive.

In such an organization it is the management's responsibility to create conditions that allow employees to control their own work. Despite the presentation of such changes to the organization as methods of stimulating employee participation by reducing the traditional methods of control, some have argued that the flattening of hierarchies replaces traditional control mechanisms with less obvious methods of manipulating employee behavior that may actually

be more constraining than the bureaucratic structure (Barker, 1993; Barker and Cheney, 1994; Deetz & Mumby, 1990; Deetz, 1992, 1995; Tompkins & Cheney, 1995)[6] Deetz argues that the various methods of flattening organizational structures to empower employees are simply disguised methods of increasing responsibility to demand more from the worker. According to Barker, the use of work teams may result in the formalization of rules that are more constraining than the traditional bureaucracy but similarly Tompkins &Cheney suggest that methods of unobtrusive control may actually be more effective means of manipulating behavior because these methods are less visible to the employees to participate in controlling themselves.

An examination of the redistribution of power and the shift in the locus of authority in the self-managing organization first requires a discussion of the nature of power and control. Power is not synonymous with control and therefore a distinction must be made between the two. [7] Tompkins & Cheney (1985) distinguish between power and control by defining power as a noun meaning "an ability or capacity to achieve some goal even against the resistance of others (pg180). In contrast the define control as a verb word meaning "the exercise or act of achieving a goal". Organizational power is defined as the ability or capacity of a person or persons to control the contributions of others toward a goal [8]While the most "obvious" manifestation of organizational power may be seen in the hierarchical, superior-subordinate relationship in the organization, worker participation programs, teamwork and the management culture create new dimensions of disciplinary power.

Few management topics have generated as much rhetorical heat as downsizing. Even beyond the pitched battle over the morality of rapid workforce reductions, theorists have produced directly contradictory speculations on the performance related outcomes on the reductions in organizations size. Although a large body of empirical literature investigating the downsizing-performance relationship has begun to take shape, different conclusions are still drawn regarding the implications of these studies. Some claim that existing results point out clear negative consequences of downsizing (Brocker& Greenberg, 1990; Downs, 1995). And others asset for positive results (Peters& Austin, 1985; Tomasko, 1989; Wayhan&Wemer, 2000). Much of this controversy seems to result from different point of views, since it is entirely possible for downsizing to the proposed improvements in operational and financial domains simultaneously with decreases in performance and attitudes or vice versa. Any review concentrated on a single outcome cannot tell whole story regarding eventual organizational performance. As a result a review outlining existing empirical results related to downsizing's effects on organizational performance is badly needed. Probably the most substantial difference between those who predict positive or negative performance related outcomes/impacts on downsizing is the perspective from which they view this phenomenon. On the one hand, theorists concentrating on employee reactions have proposed that the treat of downsizing generates anxiety and job insecurity among those who remain with the organization, potentially increases stress, dissatisfaction and turnover

(Greenhalgh&Rosenblatt, 1984). Termination of coworkersmay lead to perceptions of organizational in justice and distrust of top management (Brocker& Greenberg, 1990; Mishra&Spretzier, 1998; Noer, 1998).these negative attitudes may potentially reduce individual motivation and job performance. Work group membership changes also may be associated with the loss of important organizational knowledge (Fisher & White, 2000)

On the other hand, some note that concentrating on core operational competencies can reduce unnecessary management layers and increase the speed of decision making (DeWitt, 1993; Tomasko, 1989). Some even suggest that fear of termination may increase individual effort among employees who wish to keep retain their jobs(Kraft, 1991). Although recognized less often, it is believed that downsizing also affect the society, in which the organization is situated, potentially changing the opinions of applicants, consumers and regulatory bodies are regarding the downsizing of the organization.

Given these divergent observations, the application of a model incorporating diverse conceptions of the organization simultaneous appears to be appropriate .Stake holder theory, which is in part concerned with the influence of a wide range of actors in an organization environment on organizational performance , provides such a perspective(Donaldson &Preston, 1995).unlike traditional input-output models of organizational performance, stakeholder theory emphasizes the interaction between interest groups such as the organizations employees, members of the social community, shareholders and other allied organizations in determining organization performance. Many restructurings fail to reach anticipated financial objectives. To understand why this happens, we must consider the impact of downsizing on organizational functioning. Most downsizing was actually done badly (half to two-thirds).

A recent survey of 1,142 firms conducted by the American Management Association (Greenberg, 1990) reported that more than half of them were unprepared for the downsizing, with no policies or programs in place to reduce the effects of the Cutbacks Some severed employees will be hired back permanently while others be replaced by new hires This schizophrenic approach is expensive. What about productivity? More than half of1, 468 firms surveyed by the Society for Human Resources Management reported that productivity either stayed the same or deteriorated following downsizing. Similarly a study of 30 firms in the automobile industry indicated that most deteriorated relative to.

### III. METHODOLOGY

As the study was conducted at the organizations head offices, several techniques were employed in order to assure that the data gathered was of high quality and standard. Formal and informal interviews were conducted at the organizations with the various people within the company but mostly it targeted the people in managerial positions as they are more hands on in taking decisions. And also employees in the lower ranks of the organization were interviewed in order to assess if they are really involved in the decision making of

the organization. In conducting interviews with the various stakeholders individually it allowed them to be open about how they feel and also to talk about what they would like to see change in the organization. But most of the people interviewed were extremely happy with how things are in the organization currently though they had doubts about certain thing s which will be discussed letter.

Another crucial tool which was utilized in gathering data was a questionnaire which allowed the researcher to structure a set of pre-determined questions based on what the researcher has identified about the topic previously and it also allowed the researcher to be specific in its questions as this study is too broad and complicated.

In designing the questionnaire the researcher allowed employees to rate using a score card the extent to which they feel about what's currently happening in their organization which would allow the researcher to draw specific outcomes about the study based on the analysis of results and outcomes.

## III. FINDINGS AND RESULTS

As the study was undertaken several stakeholders were interviewed and filled in questionnaires to assist in gathering the much needed information about the organization. Flattening of hierarchies by organizations has been implemented to rather introduce a new way of operating and giving employees the freedom to be in charge of their own work and also to take a much free role in making decisions. Below are the results which were gathered from the organizations employees:

- Employees in the organization were happy about the fact that they are more involved in what they do now and that they can account to the decisions they make to ensure that the organization achieves its goals.
- Top management still plays a crucial role in taking the major decision in the organization though they do consult with their employees as they want to ensure that investors get their return on investments.
- Also it was discovered that the lower level employees still leave the responsibility of making decisions to their former supervisors and middle managers.
- On the part of the organization they have tried by all means to empower their employees though it will still take time before their get full responsibility and accountability of their jobs in the organization.
- In a negative way it was discovered that payments and incentives are not performance based which does not encourage employees to perform to their level best ability in order to achieve the organizations goals.
- The organization has not properly introduced a training programme for employees in order for them to be educated about the team base operating system.
- On the part of questionnaires, most employees showed no interest in answering the questions yet in most of them they seem to be happy in operating in teams.

Question 1. How has the flattening of hierarchies changed the organization as a whole?

Most employees had a lot of positives to say about the new approach, 65.9% was very happy and looking forward to it as they said it gave them the well-deserved chance of taking part in the decision making of the organization as a whole rather than always have to be told what to do, 26.3 was not happy at all with change at all as they feel that they were used to receiving orders from the top and passing them down to the lower level and now that the change has happened they will have to adapt which they feel it was unnecessary also in this group of individuals most of them were demoted to lower level positions in the firms and 7.8% were not really concerned with the change but they were just happy with working for organization.

Question 2. How does downsizing by the organization impact on your performance as an individual?

This one was question which raised a lot of unhappiness by employees as they were uncertain about their future with the organization as they feared for their jobs. 71.5% felt that the organization was going down and what got them worried was the fact that they might be next in line to be downsized and this impacted negatively on their performance and also they were under stress as they were not performing as expected and also were concerned about their jobs as it is everything to them.28.5% said that they were worried about their jobs being on the line but they used that as a motivating factor to excel in what they did so that they can try and save their jobs but they knew that not everyone in the organization was safe, and also they stressed that after being demoted they could not think of any more negative outcomes.

Question 3. Has communication since you started working as teams become more effective and increased?

Most employees felt that working as teams and being responsible for decision making had increased communications among team members as they had to brainstorm ideas together and decide on the decision as a team. 69% of employees interviewed were pleased with the team based approach as they felt that it plays an important role in motivating them to work hard in achieving the desired outcomes. 31% of the employees which kind of disagreed with the rest are from managerial positions and were demoted thus they were not used to working as a group and the fact that they are used to giving instructions does not allow them to express if there is change with the new system as they still finding it hard to adjust to the new working conditions.

Question 4. How is authority and responsibility shared among the team members?

Most of the team members were agreeing that it is shared equally though when they get stuck somehow they turn back to the demoted individuals and leave the responsibility of taking the decision with them as they have the experience which they acquired when they occupied the managerial positions. Since with teams everybody is responsible for the outcome, no single individual was appointed for the responsibility of making decision and delegating work to coworkers all the team members were equally involved and are working together to accomplish the goals though conflicts when the team cannot reach decisions do arise as the former managers and supervisors do opt to take charge and delegate but with the other employees being against it, it could be time

consuming and may lead the team to failing to reach its goals. Though when such problems are encountered management do intervene and solve the problem effectively so the team can focus on achieving the results and put their personal differences ahead and if after management has intervened but the still no progress, culprits responsible for the delay are identified and are dealt with accordingly.

Question 5: how is the relationship with the demoted middle managers?

This question was specifically for those employees which were in the lower level of the organization before the structure of the organization was changed. Employees with regards to this question explained that at first when the change was announced that most non managerial employees were going to work as teams it kind of came as a shock to most employees and based on performance appraisal scores employees were laid off and some were demoted then the problem was identified as those employees did not want to take instructions from those which always occupied the lower positions but with involvement of management relationships were formed and everyone worked as a team to ensure that at the end of business day they achieve what they have planned to achieve.

Question 6: what measures has the HR department taken to improve the working relationships of teams?

The human resources department had implemented training programs and conferences for all teams to attend so they can be thought about the benefits of team approach and on how it increases the team's efficiency. Most employees felt that the organization was trying its outmost best to strengthen the working relationships of its employees within teams but they felt that as they work more and more together relationships are improving and getting stronger by the day, and also they highlighted that since performance is strictly monitored it also played a crucial role in ensuring that employees out aside their differences and just focus on what they have to do which is achieving the goals and ensuring that the organization grows as a whole.

Question 7: how quick are decisions made by the team and are any conflicts between the team members?

Most employees were very much happy with the way decisions were taken and the time it took to take them, though they did acknowledge that conflicts between team members did arise and were dealt with accordingly in order to ensure that results are produced to management. Though employees did highlight that working together did produce benefits that when working as individuals could not have been visible with regards to reaching decisions and brainstorming ideas to come up with brilliant ideas and produce excellent outcomes. Though other employees argued that working as individuals was better working as teams because once they start working on specific projects they would reach decisions quickly because once they think that what they have planned was what the organization need to achieve outcomes then they went with it.

Question 8: does management have programs of employee empowerment in place?

Since the new approach of operating employees acknowledge that the company did present them with opportunities of being empowered were they have allocated coaches to work with, they been provided with training and those employees that have been with the company for long have been retrained in order to ensure that remain are always productive. Employees felt that the organization did try to help them in overcoming the stress that they were faced with of losing their jobs after some of their colleagues were laid off. With training it allowed employees to get to know each other better and to strengthen their relationship as a team that works together on a regular basis to achieve the goals of the organizations.

Question 9: are individuals in the team compensated equally and fairly?

Most employees where pretty much confident in answering this question as they were all assured that they will equally and fairly compensated. This also played a huge role in encouraging the team to be equally involved in doing their job as they all knew that they were getting the same amount of recognition from the organization and this had affected those who were demoted to lower level positions as it meant that their salaries also decreased. This though did not affect their performance in working as a unit because they all knew what was expected of them and they were willing to put their personal differences aside so that they can achieve the organization objectives.

Question 10: As employee are you with working as teams rather than reporting to one individual?

Most employees were happy with working as teams because they think it helps them to reach decisions fast, also it helps strategies effectively s two heads are better than one and also they think that it enables employees to develop good working relationships among themselves. Though other chose to differ as they though that working in teams lacks direction and authority as they are used to getting instructions from top management

## IV. RECOMMENDATIONS

The organization has implemented the necessary changes though they still have a long way to go and in trying to empower employees with the decision making powers and being able to be in charge of what they do, certain employees find it hard to operate without supervision and that impacts negatively in their performance. Conflicts arise between employees as they fill that they not appreciated by the organization because they finding it hard to adapt from managerial to non-managerial positions. Below are suggested solutions which the organization can implement to improve the employees performance.

- The organization can implement training programs for employees to be educated about the benefits of operating as teams. In teams communication is encouraged, trust is built, communication is speed up and employees are able to sit down and brainstorm ideas for the organization.

- The organization can use monetary and non-monetary rewards to motivate employees to improving their performance and in ensuring that the organizations objectives are met.

- The company can distribute its financial statements to employees so they can see how the company is performing and also they can involve employees in planning the organizations future.
- The organization should have programs arranged which will help employees to deal effectively with situation that might lead to decreased productivity in the employees side.
- Also management can tie rewards to the outcomes of the employee's performance that are link directly to the team's objectives.
- The organization in its attempt to reduce its workforce should aim at employees which have been with the organization for a while and offer them attractive retirement packages.

## V. Discussions

The overall aim of this study was to examine impact of the flattened hierarchies on the overall performance of employees in organization. Moreover, the study aimed to identify key areas which were the major drivers of employee performance in the organization and also to identify the impact of the change in the organization as a whole. Employees were given the role to be in charge of everything they do in an organization and also they were empowered with the decision making discretion by top management. In conducting the study it was discovered that employees were more happy with being in charge of themselves that to be under the supervision of someone else and it also proved that in a way the freedom which was given to them allowed them to take responsibility of their actions. In addition the team based approach proved to increase flexibility, coordination between employees, speed up the process of decision making and all decision were reached by consensus. In addition this proved to build trust and strong relationships between employees and also it encouraged a lot of consulting between employees before a decision can be reached. Several cases of conflict were encountered between the employees but they found a way to effectively deal with that.

## VII. Conclusion

In conclusion the flattening of hierarchies has produced some positive attitudes from the employee's side though it has proved that it has highly restrictive structures and wider span of control. In the particular organization in which the study was based, the organization is fast growing and employees welcome learning opportunities with open hearts though as time progresses it kind of get to them and they struggle to cope under pressure sometimes. With communications among the employees increased, this allows them to work effectively and efficiently with one another and it avoids conflict by all means. Management has taken serious steps to allowing employees to be in charge of themselves which instills confidence in them and builds trust between top management

and all the employees in the organization. The flattening of hierarchies has encouraged lower level employees to be more involved in their work and participate in achieving the organizations goals as in the tall traditional

Bureaucratic structures their participation was limited and they were never involved in the decision making process of the organization.

In concluding team based approach allows all the employees in an organization to be involved in the running of the organization and also it increases the chances of building a unified organization were trust between employees is the common thing with coordination helping them to achieve the organization goals whilst avoiding conflict between employees.

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