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HR Organizational Structure – Past, Present, and Future

Introduction

An organization is a group of people working together to produce value.[1]

How much value is produced is a function of several factors: the strategic direction, leadership, engagement of the workers, and the interaction among the workers, or synergy, which is defined as the total output of a system being greater than the sum of its parts. Therefore, the way the people are organized can create that synergy – or impede it.

Throughout history, people have been trying to find the best way to organize the workforce to extract the maximum value. The history of organizational structures is as old as the history of management. With the advent of the HR Information System (HRIS), we use automation to try to optimize the management of people in the workplace. Defining the organizational structure is essential for automating HR processes, and also for identifying and coordinating responsibility for hiring, pay, and promotion decisions. As HRIS evolved to include self-service (direct access) capabilities with workflow automation, the org structure became more essential for determining transaction routing. The organizational structure is also useful in determining security: Who has access to which workers' data, and who gets what reports?

But what happened along the way is that companies realized there is no single organizational structure that is relevant for managing work. There are multiple "organizations" based on the context of the task at hand. Also, changes in the workforce occur at a rapid pace, reinforcing the need to keep organizational structure in sync. We need a way to effectively manage structures representing a workforce in flux.

This article will examine selected organizational structures to date, discuss how traditional frameworks are rapidly changing, and explore emergent thinking in organization design.

The Hierarchy

The word *"hierarchy"* comes from the Greek word hierarchia or "rule of a high priest." It is an arrangement of workers whereby one is above or below another. Throughout recorded history, this has been the predominant organizational structure. Hierarchies are all about command and control — one node in the structure supervising others, and in turn being supervised by yet another, until the top node (chief executive officer) is reached.

What are hierarchies good for?

They are easy to understand. Functioning hierarchies provide clear work roles and accountabilities. Strict hierarchies have historically been associated with authoritarian organizations, such as the military or the Catholic Church. However, more recently, the U.S. military's hierarchical command and control structure has been supplemented with a "new mode of organization — a "network of teams" with a high degree of empowerment, strong communication, and rapid information flow"— to enable more dynamic real-time flexibility within the formal hierarchy.

What are hierarchies not good for?

In strict hierarchical structures there is redundancy and inefficiency of resource utilization. For instance, if arranged by business function, you must duplicate support functions, such as HR or IT within each business unit. Also, workers functioning in different roles or collaborating across the organization break the strict hierarchical structure. Cross-functional communication and collaboration are not encouraged in hierarchies, because the workers are not accountable to anyone except their direct supervisor. Hierarchies, therefore, tend to become bureaucratic and siloed.

However, the main problem with hierarchies isn't the fact that they're hierarchies; it's that there is only a *single* hierarchy that is intended to represent all of the relevant relationships in

the organization. For instance, businesses often have a financial organization structure, which represents the roll-up of the organization from a cost accounting point of view. This must be reconciled with a supervisory structure, often creating conflicts and exceptions where head count is charged to a different cost center, resulting at times in inefficiencies and process breakdowns.

Attempts to optimize the *Single Hierarchical Organizational Model* have led to frequent reorganizations. These are often expensive, confusing, and unsettling to the organization. What's more, they are often undertaken without any evidence or metrics to suggest that the new model would be an improvement.

Matrix Management

Since the late 1970s, matrix management has been a popular organizational model. In it, a person can report to one organization, say a supervisory hierarchy, but also work on a project team or alternate supervisory structure. An example is a systems architect reporting to a technology manager, but also assigned out to projects (dual reporting to a project manager). In health care, a nurse might report up to the nursing division within the hospital, but also be responsive to the care unit he is assigned to, which may vary on a shift-by-shift basis. A HR Business Partner would report into the HR organization, and ultimately to the CHRO, but also be responsive to the business areas within her scope of authority.

Matrix management, representing alternative organizations within the company, solves the problem of routing workflow approvals to the right person. However, it also requires strong communication of participants' roles to alleviate any confusion or conflicts with people working in different capacities.

Social Networks

Unless you have lived under a rock for the last 15 years, you're undoubtedly aware of the impact social networks have had on our lives and our work. Unlike a hierarchy, a social network is a series of peer-to-peer connections that are established by the participants, rather than imposed by a higher authority. They represent the democratization of communication and collaboration. Much can be gleaned about the connections that people choose to make, and how that information can be used to optimize the organizational model. More on that later...

The Multi-Organizational Model

Today, HR software companies have realized that there isn't just one hierarchy that is relevant for security, reporting, and workflow – but several. Modern HR Information Systems like Workday now support multiple simultaneous organizational structures. For instance, the financial hierarchy can live side-by-side with the HR supervisory structure, as well as temporary matrix structures for project teams. However, maintenance of these organizations is an ongoing issue; the more structures to maintain, the greater the challenge. HR systems have limited ability to create rules for placing people in organizations. But they are still only support hierarchies, not always fully reflective of complex organizational arrangements.

Holacracy and Sociocracy

A holacracy is a flat, flexible organizational structure, which gives more autonomy to teams and individuals. The goal of a holacracy is to create a dynamic workplace where bureaucracy doesn't stifle innovation. The traditional hierarchy is gone, as are managers. Everyone has a voice. However to function, the participants have broad roles rather than narrow job descriptions, and a strict system of governance. In place of a traditional organizational chart are concentric circles of responsibility.

Holacracy was instituted at Zappos, the online shoe retailer founded by Tony Hsieh, and later acquired by Amazon. In his New York Times article, writer David Gellis reported that the holacracy experiment was not without its challenges: employees cited the procedural formality and endless meetings were a drain on productivity.[2] In a follow-up from January 2016, Gellis reported that Zappos had 18 percent turnover in just the previous nine months!

Holacracy has been compared to, and was based on sociocracy, a system of governance developed in the second half of the 20th century. In a sociocracy, people are organized in circles, and circles meet to make policy decisions (as opposed to operational decisions). Large organizations are represented as a hierarchy of circles, with representatives always bridging from one circle to another. Decisions are made by consent (which is defined as "no objections"), but not necessarily by consensus.

Holacracies and Sociocracies are attempts to reassess the optimum structure for creativity and decision-making. Hsieh has said that the ultimate goal is to structure Zappos more like a city and less like a top-down, command and control organization. What's significant is that

Endnotes

[1] General Stanley McChrystal, et al., *Team of Teams: New Rules of Engagement for a Complex World*, New York. Penguin Publishing Group, 2015.

[2] Roy Altman, "Enterprise Process Automation – Providing the Gift of Time," 2010 BPM Workflow Handbook, Future Strategies, June 2010.

[3] David Gellis, "At Zappos, Pushing Shoes and a Vision,'" *The New York Times*, July 17, 2015, http://www.nytimes.com/2015/07/19/business/at-zappos-selling-shoes-and-a-vision.html.

[4] Josh Bersin, "Is It Time to Do Away with the Organizational Chart – Pretty Much," https://www.linkedin.com/pulse/time-do-away-organization-chart-josh-bersin?trk=prof-post.

companies are realizing that the organizational structures of the past don't work, and they're willing to try something else to grow larger without growing slower.

Where is this going?

Leading industry researcher Josh Bersin recently wrote: "What our research discovered, after talking with dozens of companies around the world, is that the high-performing companies of today are not functional hierarchies, they are "networks of teams," and the "network of teams" requires a whole new way of thinking about jobs, roles, leadership, talent mobility, goals, and the tools we use to share information, provide feedback, and measure our success."[3]
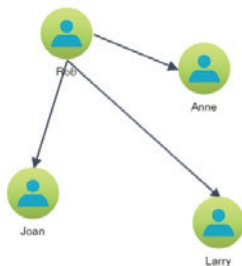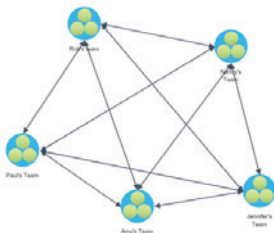

Figure 1. A Small Team Structure.

Figure 2. Network of Teams.

Experimental structures such as holacracy and sociocracy will evolve and refine. Successful adoption will depend on the open mindedness of the participants and culture of the organization. What's clear is the *Single Hierarchical Organizational Structure* is a thing of the past. Even rigid environments where leaders embrace the "command and control" structure must adapt and be cognizant of the multiple, simultaneous structures that are necessary for the functioning of the company.

Human Resources software must evolve and adapt to meet these challenges. A multidimensional view of the workforce must be supported by HR systems in order to formalize all relationships so they can be

used for security, reporting, and workflow. Keeping multiple organizations in sync requires rule-based administration and automation.

As support teams and collaborative groups grow in importance in the workplace, organizational software must support a mix of hierarchies and peer-to-peer relationships. The software must support nested structures or concentric circles to represent holacracy and sociocracy-like structures.

Just as the workforce extends beyond the firewall to include external business partners along the value chain, organizational software should be able to include contingent workers and other partners in the extended organization. Data points from external systems, or unstructured data on the web should be accessible as meta-data from which to derive rules for inclusion.

Advanced analytics and machine learning are having a profound impact on workforce intelligence. Just as analytics can predict who would be a good fit in an organization, the same principles can be applied to who would fit best in various organizational structures. Just as process mining software, enables process discovery by examining data flow of transactions through systems, relationship mining software can analyze unstructured data, such as emails, collaborative network activity, or ad-hoc workflow approvals to determine the relationships in an organization that are truly important for accomplishing goals. This information can be leveraged to configure and optimize teams, reducing the need for costly and confusing reorganizations.

Conclusion

What is the best way of organizing for your organization? Should one adhere to strict hierarchies, matrix structures, social networks, holacracy, or a combination of the above? The answer is complicated, involving your needs, the nature of your business, and culture of your company. One certainty is that we are no longer limited to a *Single Hierarchical Structure*. Tools now exist to model our work in ways that more accurately reflect how work gets done, allowing us to discover new ways of optimizing the workforce. HR software needs to catch up with this need, and offer more flexible ways of representing the relationships between workers.

About the Author
Roy Altman is manager of HRIS Analytics and Architecture at Memorial Sloan Kettering Cancer Center. He is responsible for putting actionable data in the hands of workers to assist in decision-making, manages a work stream of their Workday implementation, and determines short and long-term application architecture strategy. Previously, he was founder/CEO of Peopleserv, a software/services company. Over a multifaceted career, he has a history of delivering ROI to well-known companies in several industry sectors. Altman is the architect of multiple commercial software products. He has published extensively and has co-authored five books on Business Process Management (BPM), and published articles for IHRIM *Workforce Solutions Review* and *The Saturday Evening Post*. Altman has presented at the following HR and BPM industry and academic conferences: HR Technology Conference, IHRIM, Workday Rising, Garden State SHRM, BPM and Case Management Global Summit, BPMNext, eHRM and Academy of Management. He serves on IHRIM W*orkforce Solutions Review* editorial committee, and he is on the boards of Professional Exchange of HR Solutions, where he is director of Programs, and Electronic Music Foundation, an international music organization. He can be reached at *altmanr@mskcc.org.*