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Leadership and Performance in Various Group Dynamics

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Abstract

This thesis will begin by providing a summary of the differences between flat and tall organizations. The bulk of the research will aim to explore leadership styles and demands that are effective in flatter organizations. More specifically, it will examine several aspects of autocratic and participative leadership in relation to managerial success. It will also assess certain need satisfactions of managers in flat organizations and the extent to which they have achieved success. The second portion of this thesis is intended to explore whether structural differences influence performance. A number of laboratory studies are evaluated to measure performance in tall and flat groups. A variety of field studies relating to performance and hierarchical arrangement are also reviewed.

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Introduction

Organizational structure and leadership have been a hot topic in recent years due to the changes in the internal and external environments of organizations. The hierarchical arrangement of lines of authority, communications, rights, and duties of an organization depend greatly on the size of the business and type of business. Many organizations consist of several levels of management where employees with the most power and authority reside at the top and those with the least reside at the bottom. Flat organizational structures on the other hand do not have those layers and layers of hierarchy, therefore, there are fewer people who are more powerful than others. Many large companies like Amphenol and Cisco, and smaller ones, have transitioned into flatter organizational structures. The increasing use of flatter organizational structures in today's business world is worth taking a deeper look into.

Organizations are made up of many different structures, sizes, departments, cultures, people, systems, procedures, rules and regulations. In addition to the fragmented components that make up an organization, their relationships also differ. An organization can have integrative processes such as decision making, communication patterns, control mechanisms, and styles of leadership. The structure of an organization refers to the way an organization distributes its units and positions and the relationships that exist between them (Ghiselli & Siegel, 1972).

Tall organizational structures contain many levels and layers of management. These levels range from top executive positions to front-line management. Hence, the structure of the organization is built very high. Flat organizational structures on the other hand feature less layers of management, therefore the organization is arranged in a way that is more compressed. The structural differences of flat and tall organizations reflect the span of control mangers within the company exert. Mangers in tall organizations tend to have a narrow span of control in that they

oversee only a few subordinates. The opposite is true in flat organizations where managers tend to have a wide span of control; overseeing a large number of subordinates. Furthermore, managers in tall organizations have several people who are in positions that are higher than theirs. On the contrary, managers in flat organizations have a smaller number of people who are in positions higher than theirs. According to Edwin Ghiselli and Jacob Siegel, tall organizations maximize administrative centralization whereas flat organizations minimize it. Therefore, a manger in tall organizations has a relatively small position as both a subordinate in one role and a superior in another. As a result, these managers take on less responsibility and are only accountable for the actions of a handful of subordinates. Managers of flat organizational structures are responsible for the actions of a large number of subordinates. Often, such managers do not have the ability to go up the chain of command to attain resources of the larger organization, whereas managers in tall organizations do have this ability (Ghiselli & Siegel, 1972).

There are a number of effective leadership styles that have been shown to influence subordinates. One could argue that the most popular of these are authoritarian leadership and democratic leadership. Authoritarian leadership occurs when a single individual dictates, decides, and directs on behalf of his or her subordinates without considering their input. Democratic leadership on the other hand involves a leader's use of decision procedures that allow other people such as subordinates to have some influence (Yukl, 2013).

Leadership in Flat Organizations

A study conducted by Ghiselli and Siegel aimed to investigate one aspect of organizational structure (tall vs. flat) and one aspect of coordination (leadership style). They intended to examine the correlation between managers' attitudes about leadership in relation to

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the degree of success they attained in the two types of organizations. One variable used in the study was the degree of success, which was measured by how much a manager was rewarded by promotion by the organization. The second variable was leadership style, which was measured by four subcategories of authoritarian and democratic leadership. The subcategories of authoritarian and democratic leadership used in the investigation were 1) The capacity on the part of most people for initiative and leadership 2) The sharing of information and objectives by the superior with the subordinates 3) Participation of subordinates in decision-making, and 4) The control over the members of the group (Ghiselli & Siegel, 1972).

A survey was administered to four hundred and forty-two managers from various businesses and industries all over the United States. The managers conducted on in the study were in middle management levels and ranged in age from twenties to sixties. Almost all of them had some college and a significant amount of them graduated from college. In order to classify whether a manager belonged to a flat or tall organization, they were first split up into different categories based on the size of the organization. This procedure was taken to ensure that there was an even size distribution of flat organizations to tall organizations. Within each size category, the mangers were divided into halves (small and flat) based on how many layers of management existed in their organization. Success in management was measured by the number of levels a manager climbed in the chain of command in relation to the level in the organization attained by the average manager of his or her same age. This measurement accounted for the rate at which a manger advanced in his or her organization. Despite all of these controlled variables and factors, it is important to remember that every organization is different. The internal and external environments of organizations affect each company differently. Organizations may have certain characteristics, such as monetary resources, rules, or classifications of effective

leadership that make it easier or harder for an employee to advance. Therefore, it is important to keep this in mind when considering the results of the survey.

Findings from the survey suggested that there were no differences in the general trend of the views about the various aspects of authoritarian and democratic leadership held by managers in the two types of organizations. In terms of the four aspects of leadership and their relation to successful managers, only two showed a positive correlation (sharing information and objectives and attitudes about internal control of the group[1]).

Sharing of Information and Objectives

According to the study, "In the area of sharing information and objectives, there is a tendency for those managers who favor an authoritarian view to be less successful if they are in a flat organization and to be more successful if they are in a tall one" (Ghiselli & Siegel, 1972). The sharing of information, also known as knowledge sharing, is an important leadership aspect in flat organizations. Since managers in flat organizations have a wide span of control, they cannot attend to the needs of their subordinates as directly as can managers in tall organizations. Thus, sharing information plays an important role in assuring that every subordinate understands his or her job roles and responsibilities.

According to the article, "Knowledge Sharing: Leveraging Trust and Leadership to Increase Team Performance", knowledge sharing is defined as the process by which individuals exchange tacit and explicit knowledge in order to create new knowledge (Ketvirtis, 2011). Knowledge sharing can involve open lines of communication among teams, organizations, individuals, divisions, the chain of command, etc. It allows people to understand the work

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[1] Flat organizations rewarded managers who believed that they should keep control of the government of the group.

environment that surrounds them. It also gives people the opportunity to have a voice and provide input. Knowledge sharing, however, does not just happen. It is based on certain factors that permit it to work efficiently. According to the article, two factors that impact knowledge sharing are trust and leadership (Ketvirtis, 2011).

Creating a sense of trust is an important factor to consider when assessing the effect of information sharing. An environment where people are open with one another is the foundation. Once trust is built, the sharing of information comes naturally. People are more likely to discuss ideas and provide suggestions when they know what they say will not hurt them. Trust provides people with a sense of comfort that their words are safe with one another and together they can work as a team. On the other hand, when teams become distrustful and begin to doubt one another, the opposite occurs. Employees begin to feel their words, opinions, input, and ideas are not safe with one another. Therefore, they hold back and do not speak their mind.

The second factor to consider when assessing the effect of information sharing is the leader. It is important to differentiate between leadership and management. "Leadership is the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives" (Yukl, 2013). Leading is an influence process, whereas managing is an authority relationship. According to the article by Ketvirtis, "Trust is particularly important when examining the role of a team leader related to knowledge sharing in teams because an individual's belief about how honest, reliable and trustworthy their team leader is has a direct influence on the individual's willingness to disclose sensitive information and the extent to which they do so" (Ketvirtis, 2011). This means that a manager in an organization, which in many cases is also a leader, has the responsibility to serve as a role model for his or her

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subordinates. The actions, behaviors, and traits of a leader influence subordinates to act the same way. Therefore, if a leader is open and honest, his or her subordinates are more likely to mimic their leader's behavior. There are many ways in which leaders can create open forms of communication and permit information sharing. A leader can do this by making an effort to trust their team and others, by trying to understand their point of view, and by providing constructive feedback.

The two factors that impact knowledge sharing (trust and leadership) are important parts in effectively creating, distributing, and applying knowledge in teams. However, the article also highlights four recommendations for facilitating knowledge sharing.

The first is *creating an open trusting environment,* as previously discussed. Trust has a direct effect on the quantity and quality of the information. The more trust that is built up, the more accurate, relevant, and complete the information will be (Ketvirtis, 2011).

The second recommendation highlighted in the article is *engaging in participative decision-making when possible.* Participative decision-making is the process of a leader actively involving members in the decision-making process, taking their input into consideration and then drawing conclusions. The idea here is that *"*It is likely that a better decision will result from the collective knowledge of the group when team members possess relevant knowledge not possessed by the team leader" (Ketvirtis, 2011). This point can be referred back to the structure of study conducted by Ghiselli and Siegel. Their study aimed to measure different aspects of authoritative and democratic leadership in relation to managerial success. Participative decision-making is a key component in democratic leadership. The two go hand in hand. This may suggest that participative decision-making has a relation to managerial success in flat organizations.

The third recommendation is to *agree on expectations for knowledge use.* What this means is that knowledge can be shared to benefit individuals, people, groups, divisions, organizations, and others, and it is important to understand that information sharing will likely benefit a group as a whole. An example of a company that does not necessarily agree on expectations for knowledge use between divisions is Amphenol Corporation. Amphenol is composed of over one hundred divisions and is structured in a way that is very flat, that is there are only a handful of levels of management. Each general manager is incented to grow and develop his or her business, therefore, each division performs as if they are their own company. For that reason, division specific performance is a top priority for managers. Although organizational incentives put pressure on each division to maximize performance, such incentives also have their flaws. Organizational incentives can cause divisions to compete and become be less open and friendly with one another, diminishing information sharing between divisions. A general manager of one division who contains information that would benefit another division, such as a potential customer, may be less likely to share that information although it may benefit the organization as a whole. The key point to take away is that it is important to have a sense of agreement on the overall benefit of information sharing.

The fourth recommendation highlighted in the article is to *recognize individual ideas and contributions*. It is important for a leader to communicate and express value in each employee or subordinate. When subordinates feel valued, they are more likely to contribute their ideas and input and allow for effective information sharing (Ketvirtis, 2011).

Need for Autonomy/Independence

Based on the structural differences of flat organizations, it is fair to say that managers in such organizations as compared with those in tall organizations are relatively isolated from their

superiors. Therefore, they require a certain level of independence (Ghiselli & Siegel,1972). The need for independence plays a vital role for managers in flat organizational structures. Independent managers have the ability to confidently make decisions for themselves. They are able to take initiative and rely on themselves. Managers who have too little of a need for independence tend to rely on others for direction, are rule oriented, and avoid taking initiative. On the contrary, mangers who have too much need for independence can become problematic. Managers may resent authority and become too quick to ignore rules and standard procedures (Yukl, 2013). Empirical evidence has shown that "in flat organizations those managers who find their needs for autonomy and self-realization to be well satisfied by their particular job situations are more likely to achieve success…" (Ghiselli & Siegel, 1972).

In 1970, Edwin Ghiselli and Douglas Johnson conducted a study to determine the relationship between managers' need satisfactions and the extent to which they achieved success. The survey was administered in a similar manner as Ghiselli and Siegel administered their survey in study on the relationship between tall/flat organizations and leadership style. Variables used in the need satisfaction study included: 1) The degree of satisfaction for the need for security, 2) Social needs, the need for esteem, 3) The need for autonomy, and 4) The need for self-actualization. The questionnaire was administered to four hundred and thirteen managers throughout the United States from a number of different companies and industries. Like the first study discussed, the organizations the managers worked for were first divided into ten categories based on their size. Then, they were divided into halves based on whether they were classified as being employed by a tall or flat organizations. Managerial success was measured by the organizational level the manger had attained relative to the average level reached by managers of his same age.

Findings from the survey suggested that flat organizations are better than tall ones in encouraging individuality. According to the study, individualistic need satisfactions such as the need for autonomy and self-actualization are more highly related to managerial success in flat than in tall organizations. Managers in flat organizational structures are superiors to a wide span of subordinates, thus they have many people below them for whom they are responsible for. Managers in flat organizational structures also have fewer managers above them to direct and control their activities. Therefore, the structure of flat organizations creates isolation between superiors and subordinates in a sense that less individualized attention can be asserted between superiors and subordinates. For that reason, managers in flat organizations must be able to take on more responsibility, more initiative, and rely on their own resources. Ghiselli and Johnson point out that due to the small amount of supervision that exists in flat organizations, it may be true that successful managers are those who "take charge" of the situation, and therefore fulfill their needs by enhancing individual responsibility. This would suggest that because of the isolation that exists in flat organizations, mangers must be assertive in order to take control of the large number of subordinates below them and the few managers above them. Therefore, they satisfy their needs by taking control of the situation (Ghiselli & Johnson, 1970). Managers in flat organizations may also consider certain consultation procedures in order to attain necessary resources for themselves.

Four types of consultation procedures are highlighted in *Leadership in Organizations*, which are downward, lateral, upward and outside. Downward consultation occurs when superiors reach down to consult with those who are at a lower level of power than they are. Managers of flat organizations may have some trouble using this approach due to the wide span of control they have. Upward consultation exists when mangers reach up to someone higher in the chain of

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command to attain information or resources. Managers of flat organizations may also have some trouble using this approach due to the limited attention they receive from being one of the many subordinates to a single superior.

From this, we may be able to conclude that the most effective consultation methods for mangers in flat organizations are outside or lateral consultation. Outside consultation exists when managers reach out to those who are external to the organization, such as customers, suppliers, professional consultants, etc., for professional expertise, resources, or help. Perhaps those in the external environment are more accessible and offer greater resources. In addition, lateral consultation may serve as an effective method for mangers in flat organizations. Lateral consultation occurs when mangers reach out to peers in the same unit and level of management. Later consultation may work most effectively because the structure of flat organizations creates many positions where people are at the same level of authority. Thus, their peers may be more accessible and helpful than their subordinates or superiors (Yukl, 2013).

Performance

The next section of this thesis will aim to discover whether structural differences have an effect on performance. First, it will explore a variety of laboratory studies which aimed to measure the effects of hierarchical structure in groups on performance. Then, it will delve into a number of field studies conducted which measured the relationship between performance and organizational structure. However, unlike the previous research discussed, success is not based on employees who were rewarded with higher ranks. For this portion, the paper will explore studies complied by Anderson and Brown which focused on empirical studies that have made intergroup comparisons, or measured differences across groups in their performance. The article references "steepness" to represent the structure of groups and organizations with "steep" groups

classified as tall.

Laboratory Studies and Group Performance

The first laboratory studies which aimed to test the effects of hierarchy steepness on group performance were conducted by Bavelas and Shaw. These studies explored communication structure and its effect on group performance. Members in the studies were broken up into two groups: 1) A group that had open lines of communication and were able to speak freely amongst themselves and 2) A group where only one person could speak with all other members. The communication patterns in the groups reflected the groups hierarchy. The group with one member who was at the center of communicating to the rest of the group represented the 'taller' group because he or she had more power and influence over other group members. The group with open lines of communication represented the flatter hierarchy since there was an equal distribution of leadership and influence. From the results of the studies, Shaw found that when groups worked on simple tasks, more centralized structures led to higher performance, leading to faster solutions and more accuracy. In contrast, when groups worked on more complex tasks, less centralized structures led to faster solutions more accuracy.

Another study conducted by Carzo and Yanouzas in 1969 examined larger groups of around fifteen people. The groups were divided into two groups: a three-level group which represented a taller structure and a two-level group which represented a flatter structure. The groups had the task to determine how much demand there would be of a product in various markets and how much of that product they should order from suppliers. From this experiment, the study showed that groups performed better in a taller hierarchy than in a flatter hierarchy.

On the contrary, a number of studies showed the opposite of highly performing teams in taller structures. A study conducted by Torrance in 1955 evaluated three-person Air Force flight

crews. The survey measured two groups crew members: 1) Real crews who had been working together for a long time and had ranks, which reflected a taller hierarchy and 2) Strangers who were put together temporarily. The study found that the real crew performed worse on a math task than crews of strangers. This was because when the lower ranked crew members of real crews knew the correct answer, they were less able to convince higher ranked crew members that they were in fact correct.

An interesting study conducted by Roby in 1963 showed similar results of higher performance in flatter groups as opposed to taller groups. Groups were broken up into those who had appointed a leader and those who had not. The groups worked on a simple task which involved flipping switches in response to display lights. Groups who had not delegated a leader outperformed groups in all circumstances except one: when tasks that required more group cohesion and there was a highly knowledgeable person in charge, taller groups outperformed flatter groups. Becker and Blaloff (1969), Berdahl and Anderson (2005), also found similar results in that more groups with flatter structures performed better than those with taller structures.

Many studies also showed null effects between hierarchy steepness and group performance. For example, McCurdy and Lambert (1952), and McCurdy and Eber (1953) replicated the light switching task and found no relation between hierarchy steepness and group performance. Furthermore, according to Anderson and Brown, "Haslam et al. (1998) assigned leaders in groups based on their scores on a leadership survey and had them work on a Desert Survival problem. They found that groups with leaders did not perform better than leaderless groups" (Anderson & Brown, 2010). A more recent study conducted in 2007 by Blinder and Morgan found that groups with leaders selected based on their pre-test scores of task ability did

not perform any better or worse than groups without leaders in a monetary policy task.

Field Studies and Organizational Performance

According to Anderson and Brown, the majority of field studies show no relation between performance and organizational hierarchy/span of control. The authors present a number of field studies portraying null results. Anderson and Brown wrote, "A large-scale study of a major branch of a national manufacturing organization that involved nearly 25,000 participants did not find a single positive correlation between organizational tallness and performance outcomes (e.g., earnings; Ronan & Prien, 1973). Similarly, a study of 704 research physiologists who were members of institutes or other research organizations (Meltzer & Salter, 1962) also found no evidence that tallness benefited performance (i.e., the number of scientific papers published); when taking into account organizational size, the only significant relation between tallness and performance was curvilinear" (Anderson & Brown, 2010). Even more recent studies support the same evidence. According to Anderson and Brown, "Leonard (1990) also did not find clear evidence for the benefits of tallness in a study of 80 large U.S. companies; controlling for the total number of employees, the number of levels of management in an organization did not predict its return on equity (ROE), though he did find that firms with more hierarchical structures had less of a decline on ROE than flatter firms" (Anderson & Brown, 2010). The majority of research complied shows there is no clear relationship between organizational performance and the steepness of organizational structure.

However, results from a specific study revealed worse performance in taller organizations. In 1975, Donnelly found that salespeople in a taller organization performed worse than those working in a flatter organization. Such salespeople received fewer orders per client visited. It is worth noting that the salespeople conducted on in the survey were from larger

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organizations.

Conclusion

Conclusion on Leadership

In conclusion, research has shown some aspects of autocratic and participative leadership are related managerial success in flat organizations. Research has also shown that certain need satisfactions of managers in flat organizations are correlated to managerial success. According to a study conducted by Ghiselli and Siegel, flat structures rewarded managers more rapidly who favored sharing information and objectives with their subordinates as opposed to tall organizations. Thus, it implies that flat organizations support leaders who share information and objectives. The research also suggests that knowledge sharing in flat organizations is more effective than knowledge sharing in tall organizations. The structure of flat organizations creates distance between superiors and subordinates. Therefore, information sharing is key in order for subordinates to understand what is expected of them.

Two factors that impact knowledge sharing are trust and leadership. Often, leaders are at the center for creating a platform of trust and knowledge sharing. Four recommendations were highlighted for facilitating knowledge sharing. These included: creating an open trusting environment, engaging in participative decision-making, agreeing on expectations for knowledge use, and recognizing individual ideas and contributions.

Ghiselli and Johnson showed that flat organizations rewarded managers who worked well and enjoyed situations that demanded autonomy and independence. This evidence also supports previous observations that flat organizations work better than tall organizations in encouraging individuality.

Conclusion on Performance

The second portion of the paper explored organizational structure from a performance perspective. The article by Anderson and Brown highlighted variety of studies which assessed the relationship between hierarchical arrangements and performance. Laboratory studies examined the relationship between group structure and performance. Field studies evaluated whether there was a correlation between performance and organizational structure. In terms of group performance and hierarchical arrangement, the studies showed varied results with some groups performing worse in flat structures and some groups performing better in flat structures. In addition, there were a variety of studies that showed no relationship between the two. In terms of performance outcomes in flat versus tall organizations, most field studies have observed null results between the effects of steepness and performance.

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