

Horizontal Leadership and Flattening Organizations

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Recent developments in areas such as technology and international trade have forced organizations of all types to adapt to new environments and stronger competition. Effective business models and structures that had been in place for decades were found to be insufficient in meeting the rapidly changing demands of customers. As the market continued to evolve, organizations needed not only innovative products and services, but also new ways to structure their businesses and teams to deliver that value.

One of the most significant changes to the business landscape — that also has permeated the public sector — is the shift to a flatter organization. This alteration to horizontal hierarchies moves important decision making down toward the frontlines of the organization, as opposed to executive leaders making all decisions and then that information being passed down to lower levels. This top-down approach, known as a vertical hierarchy, “[had] been the mainstay of business since the Industrial Revolution, helping to promote the efficient production of goods and the administration of government tasks for most of the twentieth century” (Ostroff, 1999, p. 3).

In contrast, a horizontal hierarchy turns the technical workers — those at the lowest levels of departments such as marketing, finance, or human resources — into decision makers with more autonomy and fewer layers of management above them. It creates an organization with more employees reporting directly to the CEO, with less bureaucracy and more efficient communication between departments (Rajan & Wulf, 2006, p. 759).

Understanding this latest shift in organizational structure requires extensive knowledge in areas that include the reasons for flattening organizations, its impact on employee and company performance, and how the development functions across different types of organizations.

### **Reasons for Horizontal Leadership and Flattening Organizations**

In order to understand the move from vertical to horizontal hierarchies, it is important to grasp the merits of the vertical structure and why it achieved success for so many decades. Frederick Winslow Taylor introduced scientific management to solve the problem of low productivity among workers, whom other researchers believed had incentive to work slowly and produce minimal output (Ostroff, 1999, p. 5). Thus, additional layers of management were added to provide more accountability, and as a result, organizations expanded vertically by implementing more and more levels. In an era of mass production and a few companies dominating most markets, high worker productivity was the goal, and the vertical structure allowed decisions to be made at the top and passed all the way down through management to the frontline workers.

Guadalupe and Wolf (2010) studied 300 large U.S. firms and their corporate structures, collecting information on how many positions reported to the CEO, compensation levels, span of control, and long-term incentive offerings. Their report shows that in the years between 1986 and 1998, the average number of managers who reported to the CEO increased from 4.4 to 8.2. This significant increase demonstrates when the shift to flatter organizations began, and in order to understand its cause, it is important to study the external environments in which these organizations operated.

The decades after World War II led to rapid change to the business landscape in the form of complex technology and international trade that led to tougher competition and a need to rapidly adapt to market developments. Specifically, reduced tariffs and transportation costs, in addition to other forms of trade liberalization, have provided businesses with more potential markets to capture, but at the same time, greater competition (Guadalupe & Wulf, 2010, p. 105). This forces

organizations to adapt quickly to their environment, and the top-down approach of a vertical hierarchy hinders that ability. The modifications that need to happen would first be communicated by the CEO, but the practical side of the changes would be passed down through numerous levels of management, and key decisions would frequently have to be pushed down the organization each time in a time-consuming way. On the other hand, creating a more direct relationship between higher-ups and frontline workers allows more efficient communication and changes to be implemented rapidly. Thus, in his review on post-bureaucratic and neo-liberal theories, Handel (2014) argues both systems of thinking believe “environmental instability caused by turbulent markets” is the reason for the horizontal shift (p. 89).

Competing in a difficult market requires companies to leverage the expertise of all its employees, not just those at the top. While senior leaders may have the most knowledge of responsibilities such as casting vision and setting strategic direction, other employees have expert knowledge in areas that can help the company. Companies cannot simply rely on a few important leaders to help increase profitability, which is primarily what the vertical model is centered on — those at the top making the decisions, and their subordinates helping the execution. Instead, Goldsmith (2014) states “the need for dynamic flexibility and a broad base of knowledge and expertise is greater than ever.” If leaders do not capitalize on the knowledge of all their employees and allow them to contribute, they miss out on the potential to acquire additional areas of expertise to help the organization. Goldsmith does acknowledge the difficulty of this delegation of leadership for senior management, but it is a necessity challenge.

Another reason for organizations to flatten and empower leaders at lower levels is the speed at which consumers’ tastes change. Handel states, “In the new environment competitive advantage lay in faster decision times, innovation, and flexibility, rather than economies of scale

and the accumulation of deep reserves of internal resources” (pp. 86-102). A key to understanding a company’s market often lies in interactions with customers, where workers learn common complaints or praises about the product or service. Therefore, frontline workers may have insights that executive leaders, who are generally far removed from the actual customers, may not have. By increasing communication between leaders and workers, the parties can share their unique insights with each other and create a more cohesive picture of the market and how to serve them.

One common misconception about horizontal hierarchies is that it reduces costs. The reasoning follows that by eliminating layers of management, the company saves money by its ability to hire more workers to produce the product or service, instead of having so many managers who serve as a liaison between higher levels of management and frontline workers. Therefore, by increasing the efficiency of communication and the speed at which decisions are made, the company could eliminate some expenses. In fact, in Powell’s (2002) study of 200 organizations, she found lower level employees attributed flattening the organization to simply cutting costs, which lessened their motivation and sense of empowerment. In reality, Guadalupe’s and Wulf’s research found little evidence that flattening an organization is a strategy to reduce costs. Guadalupe and Wulf also found division managers’ pay increased as a result of their closer connection with senior leadership, a result inconsistent with the cost-cutting theory. The disconnect between leadership’s motivation for flattening the organization, and how it is perceived by non-management, is an important area to address if an organization were to implement the change.

Much of the research on horizontal leadership and hierarchies centers on the organization as a whole — flattening the organization in a way that creates a closer relationship between those

at the top and bottom. While many organizations are changing in that way, the shift also occurs on a smaller scale, with individual departments, teams, and projects shifting away from a vertical structure and allowing team members to lead their peers. In fact, origins of the horizontal system can be found in examining 1960s project management techniques for subcontractors to the U.S. government (Chenhall, 2008). Chenhall states its purpose was “to ensure that representatives ... would have a project manager ... who was responsible for managing costs and deadlines, rather than having to negotiate with a number of departmental heads who were only partially responsible ... the project” (pp. 518-519).

The key to success in these projects was improving the lateral flow of resources across functional departments, which points to a horizontal structure. What began as an efficient system for individual projects — not companies as a whole — eventually grew into a common way of structuring the leadership of entire organizations. In his literature review of three approaches to horizontal organizations, Chenhall concludes the horizontal structure, both in organizations and on individual projects, emerged as a result of the matrix organization, new approaches to project management, and improved production practices by Japanese manufacturers. This again points to viewing the transformation from vertical to horizontal structures not as an overnight change in the business landscape in the U.S., but as a slow, steady shift that occurred as organizations sought to adapt to the changing environments, both domestically and internationally.

Furthermore, Rajan and Wulf note that some sociologists believe the informal networks in an organization are more important than formal roles and hierarchies. Therefore, organizational life has always had horizontal influence, but the movement in recent decades has turned informal horizontal structures into a formal organizational transformation.

### **Impact on Team Performance and Individual Employees**

Shifting to a horizontal hierarchy generally is viewed from the perspective of the organization as a whole, as opposed to the individuals and teams who comprise the organization. Human resources are often the most important assets of any organization, so an examination of its structure would be incomplete without also understanding its impact on small teams and the individual employees. When viewed at this micro level, the principles of horizontal hierarchies and leadership are often referred to as shared leadership.

### **Horizontal Leadership in Teams**

Collaboration is a key to success in most business environments, where employees are expected to work together toward the pursuit of company objectives. Technology has allowed workers to connect in more ways than ever, and not only are employees expected to have technical expertise, managers also emphasize teamwork and interpersonal skills. In fact, Chenhall notes a crucial feature of a horizontal organization is a team-based focus. While much research has been published on ways to create effective teams, one element to examine is its approach to leadership, whether vertical or horizontal.

Pearce and Sims Jr. (2002) studied vertical versus shared leadership on the success of 71 change management teams (CMT) at a large automotive manufacturer. The results of the different types of leadership were examined six months after the beginning of the study, allowing the researchers to better argue a causal effect of certain styles. While an organization experiencing transition provides a unique context for the study, the researchers concluded that shared leadership led to more effective teams.

Pearce and Sims state “This study examined a relatively unique for of teams (CMTs), thus providing some insight into teams that deal with complex issues from problem identification to solution implementation” (pp. 187-188). This emphasis on shared leadership’s effectiveness in

solving complex problems coincides with Thylefors' and Persson's (2014) research on Swedish cross-professional teams in health care. After collecting questionnaire data from 47 teams and observational data from 38 teams, the researchers concluded "complex tasks, such as patient and client problems in specialist care, seems to be facilitated by collective efforts, i.e. a shared leadership, while well-structured tasks may limit the need for discussion and information exchange" (pp. 135-149).

The correlation between the complexity of the situation and the effectiveness of a flattened leadership approach indicates a vertical hierarchy inhibits communication. With communication getting passed up and down, even in the context of a team and not an entire organization, there a greater chance for confusion. Additionally, complex tasks require the expertise of several people, and creating a shared leadership environment brings those people together and allows them to converse directly with each other, as opposed to a point leader filtering communication.

Ultimately, decisions about whether to create a vertical and horizontal leadership structure for teams depends on the specific situation and an understanding of the advantages and disadvantages of each can help managers implement the proper style. Thylefors and Persson state "the ideas of shared leadership have one factor in common: they state the importance of involving team members in both informal and formal leadership activities to replace or to complete hierarchal leadership" (pp. 135-149). Therefore, a leaders job is to identify to specific context and type of problems the team will be trying to solve, and then determine the proper leadership structure.

### **Impact on Employees of Flattening an Organization**

On an even more micro level, flattening and organization ultimately impacts the work of individual employees. There are numerous factors to consider in shifting organizational



structure, and those include its impact on employee morale and productivity. A key concept used often in discussing the impact on employees of flattening an organization is empowerment, which is “the transfer of leadership authority to individuals in the team to lead horizontally” (Müller et al., 2018, pp. 86).

The idea of empowering employees has coincided with the rise of flattening organizations, as one of the keys to a horizontal hierarchy is giving more decision making power to frontline workers. Therefore, the two concepts must be discussed hand-in-hand, because empowerment is a result of the trend in organizational restructuring. Dewettinck and van Ameijde (2008), in a sample of 380 frontline employees, conclude there is a direct relationship between empowering employees and their job satisfaction and commitment to the organization. These results further demonstrate why organizations have restructured. A more satisfied workforce can lead to higher productivity and less turnover, which can save organizations the time and resources it takes to continually hire and train more workers.

Theorists also support the view of empowerment leading to higher employee morale. Handel writes the post-bureaucratic view sees lean organizations without extensive vertical leadership structures as better for employees because of their higher degree of involvement and gain sharing. Employees want to feel their work is making a meaningful difference in the organization, and former structures that allowed for only top-down decisions led to a purely technical workforce who had a hard time seeing their individual contribution to the grand picture. By capitalizing on frontline employees' firsthand knowledge of the customer base, they feel valued because of their ability to contribute to key decisions.

On the other hand, some studies indicate that flatter organizations often fail to properly empower employees in a way that allows them to reap the benefits. In an explanatory study, Powell indicates horizontal structures “may well promote the image of empowerment at the expense of the actual practice of empowerment” (pp. 54-59). Powell cites how in a study of schools who had flattened the hierarchy, one of the problems was a lack of role clarity. While a vertical structure often promotes specific job responsibilities with concrete tasks, similar to jobs in manufacturing that gave rise to the vertical structure, the horizontal structure seeks to break employees out of that mold and give them more discretion in decision making. The downside of this change logically follows that employees who previously had very defined tasks to perform are not immediately capable of adapting to the empowerment given to them. Powell’s solution to this problem is “an investment in changing the culture is required in order to maximize employee empowerment in new structures” (pp. 54-59).

One way to change the culture while the structure of the organization is transforming is through leadership and teamwork training programs (Pearce & Sims Jr.). The frontline workers who are given more decision making ability often had not had the formal leadership training or experience needed to succeed with their new responsibilities. The decision making power had previously only been included in roles in upper management, but when it is passed down, it cannot be assumed those employees already have those skills or will quickly attain them without training and room for error. Therefore, a shift in organizational structure must be accompanied by teaching employees how to operate in their new, empowered role.

It follows that a thorough understanding of flattening an organization includes examining how it not only impacts its structure, but also its individual employees. Even if communication improves, more perspectives on issues are heard, and unnecessary layers of management are removed, if employees are not given clarity or morale greatly suffers, the change is not sustainable. Leaders should explore how the decision to shift to a horizontal structure will impact both teams and employees.

### **A Horizontal Hierarchy's Impact on Overall Organizational Performance**

Though examining a structure's impact on teams and individuals is important, the leaders of an organization are ultimately concerned about the company's performance. The end goal is not high morale among workers, but high morale does contribute toward the company's main goal — to increase shareholder wealth. Furthermore, exploring its impact on team performance relates to the overall performance of the organization, because when a company creates successful environments and structures for its teams, it leads the way for company profitability.

Just as the change in organizational structure in the business landscape took place over many years, and even decades, so does the impact of the change on a company's performance. Powell writes, "Only after years of organizational change are companies starting to experience the benefits of flatter structures and achieving an internal change of culture" (p. 54-59).

Leaders must demonstrate awareness in how structure is likely going to impact performance. For example, "When the benefits of reducing vertical control losses outweigh the costs of coordination and monitoring, a horizontal hierarchy will outperform a vertical

one. A vertical hierarchy is better if coordination and monitoring problems are more prevalent” (p. 31).

Because there are countless factors that impact organizational performance, it can be difficult to isolate the role shifting to a horizontal structure has on profitability. Instead, other measures such as employee morale, productivity, and team effectiveness can point to how an organizational change impacts performance. Handel researches the trend in managerial leanness, and examines its impact on organizational performance. Using data from the first and third National Organizations Survey that took place in 1991 and 2002, he concludes that even though bureaucracies were considered inefficient in the late 1980s and early 1990s, there was a weak relationship between the company’s structure and numerous performance measures. Again, this points to the difficulty of isolating the factor of a vertical or horizontal structure as the cause of failure or success. But one example, provided by Ostroff, assigns the leadership shift the responsibility for a company’s success.

Chenhall, in his review of Ostroff’s methods, documents how “HO [is] the most efficient way for people to control the products and processes of the organization” (p. 529). Ostroff provides a clear example of this principle in describing how Xerox’s research team became more customer-oriented. They previously were isolated from the customer and focused on developing technology for other departments to market. When they restructured to a horizontal approach, they then could interact with customers and discover what types of products they wanted — information they would not have known without that connection. He cites how between 1991 and 1996, earnings per share increased almost threefold, and revenue per employee rose one and a half times. This was partly a result of Xerox’s restructuring to capture new markets and release innovative products.

In determining whether a change to a flat structure will benefit the performance of the organization, leaders must understand the environments and challenges their workers face on a daily basis. Just because there is a trend toward the shift, does not mean that every organization would succeed because of it. Müller et al. provide examples of where each type of hierarchy is most beneficial. They state for knowledge workers, horizontal leadership is effective in “situations characterized by interdependence in the team, creativity, and complexity” (p. 85). In organizations that require this type of problem solving, a flatter structure can help overall performance.

For leaders deciding whether to transition to a flatter organization, it is best to view the economic environment they operate in, and the type of work teams perform. If leaders look to the performance of other organizations that have made the shift, it would be difficult to determine if the shift has caused their success or failure. Understanding the impact of a flat organization on the performance of teams and on individual employees is often the best indicator as to whether it will benefit the company.

### **Flat Organizations Across Different Environments**

Much of the research on flat organizations focuses on its role in the private sector, namely large corporations with hundreds of employees. Indeed, these large-scale transformations are a focal point for researchers because their for-profit incentive forces them to react to market conditions and competition, and these organizations often previously had extensive levels of management that needed to be reduced for a true horizontal structure. Despite the focus on established corporations, researchers have also sought to discover if the same principles apply in other contexts, namely startups, schools, and governments.

### **Horizontal Leadership in Startups**

Just as there has been a trend toward flat organizations, the business landscape has also paid increased attention toward startups and other entrepreneurial ventures. Popular software products, social media sites, and the success of areas such as Silicon Valley have turned academics toward also studying how various management and leadership principles apply in non-corporate environments.

Ensley, Hmieleski, and Pearce (2006) examine vertical and shared leadership within top management teams of new ventures, with a sample of 66 management teams from Inc. Magazine's list of America's 500 fastest growing startups, and then also a sample from 154 management teams randomly chosen from a database that identifies young, American-based startups. They chose to research the subject in startups because of the connection between entrepreneurship and leadership, knowing how important leadership is in getting a new company off the ground.

Traditional knowledge credits the success of a startup to an individual founder who convinced others to buy into his or her vision, and led them through the trying early stages to establish themselves in the market. This type of vertical leadership ignores the role of management teams and a more horizontal leadership style.

Ensley, Hmieleski and Pearce find support for their hypothesis that "shared leadership in new venture top management teams will be positively related to new venture performance" (p. 225). Specifically, they believe it plays an important role during the growth stage. This again points to how different types of leadership structure are more effective in certain situations. For example, during the earliest stage, startups often are dominated by one founder who created the idea, and gathered others to help. But once the

startup is up and running, the sole founder needs a team to handle the growth. Therefore, the startup makes the transition from vertical leadership to a flatter structure.

### **Horizontal Leadership in Schools**

Public schools provide another context in which to study the impacts of horizontal leadership and flattening organizations. With its emphasis on empowering frontline workers, horizontal leadership in schools often points to the level of decision making power given to classroom teachers and how to balance the need for educational consistency with the understand that teachers often know the needs of their students more than educational boards at the top of the hierarchy.

Powell performed an explanatory study in areas including climate, job meaningfulness, and communications. She found school staff did not see flatter structures as actually eliminating bureaucracy, though business managers did. This is just one example of how the principles do not always translate, and that even if structural changes are made, it is important that frontline workers feel the impact of that decision. This is especially true in large school districts that are steeped in layers upon layers of bureaucracy. Thus, the process of eliminating levels of management is easier when there are fewer layers of management to begin with. Dondero (1996) provides the example of flattening school districts in a small, rural school district, versus attempting it in New York City, with a teachers union that has a membership of tens of thousands.

A profit incentive, including the fear of bankruptcy, leads corporations to do whatever it takes to remain competitive. School districts do not have this same sense of urgency to implement widespread, dramatic change in a short period of time. Even though Dondero

presents a case for decentralization and empowering frontline workers, the public school environment does not have the profit incentive to change quickly to enhance performance.

### **Horizontal Hierarchies in Government**

Similar to public school districts, the government does not have the same type of profit incentive as a corporation, and therefore, their organizational structure plays out differently than in the private sector. Various views on the function of government also complicate which structure could be deemed most effective. For example, some want limited government, whereas others want the government providing a myriad of public services in addition to securing the rights of its citizens.

Li, Lu, and Wang (2016) note the issues of whether the results of studies of corporations can be meaningfully applied to governments, and also that there have been few attempts to study the impact of structure on performance in the public sector. In their study of economic development in China from 1995 to 2012, the researchers track growth at the county level based on the level of flatness the government has. While their specific results cannot necessarily be applied to governments in all nations, certain principles do translate. For example, they determine “a more horizontal government organization decreased delay and expropriation in fiscal transfer and revenue. But the increased span of control makes it difficult for upper level government to coordinate and monitor local governments’ spending and land sales” (p. 31). Ultimately, the shift led to slower economic growth.

The lack of extensive research into flat or vertical hierarchies in government indicates much more is to be learned before large-scale changes are made at any level of government. Some of the reasons corporations have made the transition also apply to



government — such as technological developments — but others, such as market competition, do not as directly apply to government.

### **Conclusions and Recommendations**

The significant trend toward a flatter organization in numerous industries should cause any organizational leader to examine the potential impact of a decision to switch, or not to switch, from a vertical hierarchy to a horizontal hierarchy. The primary view is external conditions that include trade liberalization, changing consumer tastes, and developments in technology have forced organizations to adapt quickly to change and create a more agile structure. Bureaucracy and numerous levels of management provided advantages in a stable market with uniform consumer preferences and companies that dominated market shares. With that era over, organizations need to empower employees to adapt as quickly as their surroundings.

Leaders should perform a careful study of the external environment to determine their organizational structure. Research consistently points to a rapidly changing external environment requiring organizations to flatten. That means in many for-profit fields, leaders cannot afford to let a vertical structure impede their ability to react to change. By streamlining communication between frontline workers, lower levels managers, all the way up to the CEO, the CEO can more quickly implement new strategy using insights from those closest to the customers.

This flatter structure also impacts the work and levels of responsibility of individual employees and teams. Primarily, researchers believe horizontal organizations lead to empowered employees. Employee empowerment also has many nuances, pros, and cons, and leaders should perform due diligence in how empowering workers will impact their

specific organization. In regard to team performance, having a horizontal leadership style is generally referred to as shared leadership, where instead of having one point leader directing all members, the members each contribute their expertise and influence their peers. As complex technology increases the need for technical expertise, leaders must allow their frontline employees who have expert technical skills contribute to decision making.

It is also recommended that leaders factor in the specific type of work employees will be conducting in their decision between a vertical and horizontal structure. Research indicates shared leadership is effective in solving complex tasks that require efficient communication and several areas of expertise (Thylefors & Persson). In fact, the reason vertical leadership was the norm for so many decades, especially in manufacturing, was because workers were performing straightforward tasks that required little problem solving and collaboration. Therefore, implementing several layers of management was effective in keeping close tabs on workers' levels of production. Now that many work environments no longer fit that category, bureaucracy can inhibit productivity.

It is difficult to determine how flattening the organization impacts its performance, namely because of how many other factors are involved in a company's success or failure and because the change generally happens progressively. Instead, leaders must make the decision based on their external environment and how they believe the transition would impact the performance of individuals and teams. In most cases, stronger teams will lead to a more successful organization. After all, an organization's performance is the sum of the contributions of its individual members, and by creating environments that allow them to perform their jobs more effectively, organizations can set themselves up for success.

A final consideration for leaders involves not looking externally, but internally, and examining its sector of the marketplace. The factors greatly differ depending on whether an organization is a for-profit corporation or startup, a school district, or level of government. Researchers have yet to provide substantive detail about how the principles of a vertical or horizontal hierarchy apply across sectors, but studies have been conducted in each environment. If a changing marketplace and stronger competition are dominant factors in explaining a transition to a flatter organization, it concludes that this change is most necessary in for-profit business environments, where these shifts are felt most.

It is recommended that further research be conducted on how the shift to a flat organization impacts performance over time. This will require isolating that specific variable and determining its causation of company performance. Ultimately, that is what organizations of all types are most concerned with — how effective they are in fulfilling their vision. By performing a careful analysis of the factors stated above, leaders can come to the right conclusion about the organizational style that will move their organization in the best direction.

## References:

Chenhall, R. H. (2008). Accounting for the horizontal organization: A review essay. *Accounting, Organizations and Society*. 33(2008). 517-550. Retrieved from [https://ac.els-cdn.com/S0361368207000529/1-s2.0-S0361368207000529-main.pdf?\\_tid=030113c2-07a8-11e8-9211-00000aacb35e&acdnat=1517528062\\_4fc4fc8481dcb082f0965dd0603e9662](https://ac.els-cdn.com/S0361368207000529/1-s2.0-S0361368207000529-main.pdf?_tid=030113c2-07a8-11e8-9211-00000aacb35e&acdnat=1517528062_4fc4fc8481dcb082f0965dd0603e9662)

The author examines horizontal organizations, focusing on a customer-oriented approach that creates more value for customers. He details the history of the transition from vertical to horizontal through the lens of the matrix structure, subcontractors for the U.S. government, and Japanese production practices. His research analyzes three works that provide unique perspectives and elements of horizontal organizations. One key element is how human resource departments play a role in horizontal organizations by empowering employees.

Limitations of the research include a lack of original data. The information is useful to the research subject because it explains multiple perspectives on horizontal organizations and also how the idea for them began. In detailing why organizations have transitioned their structures, it is important to know what caused the transformation and where the current structures originated. While it does provide an introduction as to how horizontal organizations are customer-focused, more research can be done on how their focus on customers differs from that of vertical organizations.

Dewettinck, K. & van Ameijde, M. (2008). Linking leadership empowerment behaviour to employee attitudes and behavioural intentions: Testing the mediating role of psychological empowerment. *Personnel Review*. 40 (3). 284-305. Retrieved from <http://www.emeraldinsight.com.ezproxy.liberty.edu/doi/pdfplus/10.1108/00483481111118621>

The authors wanted to research the relationships between leadership empowerment and several key areas of employee attitudes and behaviors. As organizations are now focused on empowering frontline employees to make decisions, it is important to understand how this impacts areas such as job satisfaction and turnover rate. The researchers sampled 380 employees and found a positive relationship between empowerment and job satisfaction and intention to stay at the organization.

This research is helpful to the subject at hand because it further explores an elements of why organizations flatten. A more horizontal structure allows employees who are closest to the customer to make decisions and provide their unique insights to management. While some may assume that empowering employees leads to more job satisfaction, it is possible this is not the case. So the researchers sought to determine its impact on numerous elements of employee behavior and whether it has a positive or negative effect on their morale.

Dondero, G. (1996). School restructuring American style: Flattening the decision-making pyramid. *International Journal of Educational Management*. 10(2). 43-47. Retrieved from <http://www.emeraldinsight.com/doi/pdfplus/10.1108/09513549610105740>

The author details attempts by school districts to empower lower-level employees such as teachers to make decision, because they are the ones closest to where the decision will actually be implemented. It is referred to as school-based management, and there are many examples of districts that are attempting the change. One key difference in how the program works is the size of the school district. The changes are much easier to make in small rural areas, as opposed to large ones like New York City, where this is a great need for centralized decision making. One of the problems that central office administrators experience during these changes are that they have less control over the decisions being made, but they are ultimately responsible for the results of the decision. This same problem would be true in corporate organizations, where leaders are accountable to stakeholders of the organization, so they want to make sure the best decisions are made.

This subject is useful to the research topic because it provides information on how the concept of horizontal hierarchies are implemented in schools, as opposed to corporations. Though many of the principles are similar, the environments they operate in are distinct, so the results would play out differently.

Ensley, M. D., Hmieleski, K. M., & Pearce, C. L. (2006). The importance of vertical and shared leadership within new venture top management teams: Implications for the performance of startups. *The Leadership Quarterly*. 17 (3). 217-231. Retrieved from [https://www.sciencedirect.com/science/article/pii/S1048984306000051?\\_rdoc=1&\\_fmt=high&\\_origin=gateway&\\_docanchor=&md5=b8429449ccfc9c30159a5f9aeaa92ffb](https://www.sciencedirect.com/science/article/pii/S1048984306000051?_rdoc=1&_fmt=high&_origin=gateway&_docanchor=&md5=b8429449ccfc9c30159a5f9aeaa92ffb)

The researchers note how vertical and shared leadership are often studied in the context of large corporations, but there is little empirical evidence as to how the principles apply to the context of a startup venture. With increased attention on the subject of entrepreneurship, the authors want to discover if the shift in organizational structure is effective in that context. Through studying some of the fastest growing startups, in addition to a random sample from a database, they determine that shared leadership is a predictor of success. One interesting note is they believe that at the start of a new venture, there is often vertical leadership in the form of the founder directing business decisions. During the growth stage, this often changes to shared leadership, where the group makes decisions.

The research is useful to the subject at hand because a full understand of horizontal hierarchies is incomplete if only examining it in the form of established corporations. The researchers still examine for-profit environments, but the decision making and leadership styles differ greatly in a startup than it does in an established company. One key limitation is that the authors note the design of the study prevents them to infer a direct causation. They believe it is possible successful startups simply attribute their success to a certain style of leadership from the study.

Goldsmith, M. (2010). Sharing leadership to maximize talent. *Harvard Business Review*. Retrieved from <https://hbr.org/2010/05/sharing-leadership-to-maximize>

The author credits the expansion of shared leadership to global expansion, industry restructuring, mergers, and a need for expertise. He believes complex markets put an increase stress of leaders,

and therefore, organizations need the strength of numerous leaders who can guide the direction of the organization and deliver value to the customers. The key is empowering others to make decisions, especially those who are closest to what the decision will impact. This allows the higher-ups in the organization to focus more on the roles only they can perform.

The author provides a list of ways to share leadership, including giving authority to those who are most qualified and not second-guessing their decisions. He writes how the key to sharing leadership is delegation, where you empower those who are closest to the customer. This also impacts the employees in a positive way and allows them to play a more important role in the success of the organization.

Guadalupe, M. & Wulf, J. (2010). The flattening firm and product market competition: The effect of trade liberalization on corporate hierarchies. *American Economic Journal: Applied Economics*. 2(4). 105-127. Retrieved from <http://www.jstor.org/stable/pdf/25760234.pdf?refreqid=excelsior%3Aaf08d4dcf8820bd39f26f94fc99f8cf23>

The authors seek to determine reasons for the trend of organizations flattening and having fewer intermediaries between divisional managers and the CEO. The primary area they research is trade liberalization and how increased competition leads firms to change their structure. One common explanation for flattening organizations is that it reduces costs, but the authors detail how a flat structure, which gives more authority to divisional managers, increases the pay of division managers, and therefore often does not reduce costs.

The value of the research is that although it is well documented that organizations are flattening, there was little evidence as to why trends has been occurring. It also details the subject and how it relates to happenings outside the U.S., because although the firms that were studied are U.S. firms, international trade deals have a major impact on their organizational structure. It relates to the research topic because an important part of detailing horizontal leadership is understanding why organizations are moving away from the vertical structure, which had been common for many decades.

Handel, M. J. (2014). Theories of lean management: An empirical evaluation. *Social Science Research*. 44 (2014). 86-102. Retrieved from [https://ac-els-cdn-com.ezproxy.liberty.edu/S0049089X13001440/1-s2.0-S0049089X13001440-main.pdf?\\_tid=afc07284-07a2-11e8-bdf9-00000aab0f27&acdnt=1517525775\\_0e373c730142deb9b0790298503a70c5](https://ac-els-cdn-com.ezproxy.liberty.edu/S0049089X13001440/1-s2.0-S0049089X13001440-main.pdf?_tid=afc07284-07a2-11e8-bdf9-00000aab0f27&acdnt=1517525775_0e373c730142deb9b0790298503a70c5)

The author details the history of management theories and seeks to explain the rise in lean management techniques, specifically the flattening of organizational hierarchies and the trend toward less bureaucracy and management. Whereas in the postwar decades, bureaucracy was seen as the best organizational model, beginning in the 1980s and 1990s, and continuing until today, organizations have sought to move away from vertical structures.

One common theory is that this occurred because of increased competition and unstable markets, which caused organizations to have to make quicker decisions and adapt to the changing

environment. Another is the youngest generational cohort wants to move away from the structures of previous generations, and thus, the rise of flexible organizations. The researcher collected data on company performance in addition to employee well-being. This study creates value for the research subject because of its focus on not just the performance of the company, but on the satisfaction of the employees with the new structure. Limitations include a small sample size, and performance measures are not as objective as the researcher would desire.

Li, P., Lu, Y., & Wang, J. (2016). Does flattening government improve economic performance? Evidence from China. *Journal of Development Economics*. 123 (2016). 18-37. Retrieved from [https://ac-els-cdn-com.ezproxy.liberty.edu/S0304387816300566/1-s2.0-S0304387816300566-main.pdf?\\_tid=e2d589b0-0794-11e8-9c4f-00000aab0f6c&acdnat=1517519848\\_faec0c82aba4b4eb6b2188fb39b42b2b](https://ac-els-cdn-com.ezproxy.liberty.edu/S0304387816300566/1-s2.0-S0304387816300566-main.pdf?_tid=e2d589b0-0794-11e8-9c4f-00000aab0f6c&acdnat=1517519848_faec0c82aba4b4eb6b2188fb39b42b2b)

The authors examine the correlation between government structure and economic development in China from 1995 to 2012 and seek to determine the pros and cons of vertical versus horizontal structures, and which leads to stronger performance. They identify developing counties in China and track their growth. The uniqueness of this research is that in many cases, researchers analyze large corporations to determine the effects of structure, so they wonder about its impact on the public sector. They conclude that there is a trade-off between the two types. A horizontal structure decreases delays, but a vertical structure allows higher-ups to better monitor the functions of local governments, leading to greater coordination.

Also, less accountability increases the potential for corruption at the local level. Limitations include the researchers' focus on developing counties as opposed to established ones. This subject relates to the topic being studied because it provides examples of the principles in the public sector, and provides comparisons for its impact in government versus corporations.

Müller, R., Sankaran, S., Drouin, N., Vaagaasar, A., Bekker, M. C., & Jain, K. (2017). A theory framework for balancing vertical and horizontal leadership in projects. *International Journal of Project Management*. 36 (1). 83-94. Retrieved from [http://rx9vh3hy4r.search.serialssolutions.com/?ctx\\_ver=Z39.88-2004&ctx\\_](http://rx9vh3hy4r.search.serialssolutions.com/?ctx_ver=Z39.88-2004&ctx_)

Vertical and horizontal hierarchies, and leadership, are often viewed as contrasting one another, and that organizations must choose one or the other. The authors of this study develop a framework for balancing the two structures within projects, as opposed to organizations as a whole. The researchers drew from past studies, and collected 33 case studies with 166 interviews. The leadership structure changes throughout a project, and while initially a point person is chosen as the leader (vertical leadership), the leader often transitions to allow team members to share leadership responsibility and guide their peers, a form of horizontal leadership.

Limitations, according to the authors, include the novelty of the concept of cognitive-space. The research is useful to the subject at hand because it provides a perspective that includes both horizontal and vertical leadership and how the two interact throughout the completion of a project. The authors take a step-by-step approach through how vertical leadership transitions to

horizontal leadership, including nomination, identification, selection, horizontal leadership and governance, and transition.

Ostroff, F. (1999). *The horizontal organization: What the organization of the future looks like and how it delivers value to customers*. New York, NY: Oxford University Press.

The author is one of the first developers of a complete system for horizontal organizations, and provides readers with the history of the previous model, and why the world economy and changing marketplace now indicates the need to shift to a flatter structure. He emphasizes how the horizontal organization is customer-focused by bringing together people who work on core processes, instead of fragmented groups.

The research is useful for the review because it provides detail on numerous facets of implementing this type of change. Whereas many journal articles focus on a single element or two, this book looks at the organization as a whole, as well as the individual parts involved in the transformation. It provides an example of how Xerox changed their organizational structure and was able to deliver more innovative products to the market. Not only that, it saw its market price soar in the years of the shift, providing an effective case study for the literature review.

Pearce, C. L. & Sims Jr., H. P. (2002). Vertical versus shared leadership as predictors of the effectiveness of change management teams. An examination of aversive, directive, transactional, transformational, and empowering leader behaviors. *Group Dynamics: Theory, Research, and Practice*. 6(2). 172-197. Retrieved from <http://psycnet.apa.org.ezproxy.liberty.edu/fulltext/2002-01694-004.pdf>

The authors examine vertical and shared leadership through the lens of five leadership styles frequently found in leadership literature: aversive, directive, transactional, transformational, and empowering. At the time of the study, there had been limited research on the subject, though others had focused on drifting from the idea of a single, designated leader, and instead allowing those with the most expertise in the specific situation to lead the group.

The focus of the research was on cross-functional change management teams' effectiveness from the perspective of the managers, internal customers, and team members. The authors concluded that shared leadership was a predictor of team effectiveness and empowering shared leadership caused team members to rate their performance as more effective. They also suggest incorporating shared leadership techniques into training and management programs. Limitations of the study included that it only focused on change management teams, so the conclusions may not generalize to other types of teams.

Powell, L. (2002). Shedding a tier: Flattening organisational structures and employee empowerment. *International Journal of Education Management*. 16(1). 54-59. Retrieved from <http://www.emeraldinsight.com/doi/full/10.1108/09513540210415541>



The author identifies the trends of flattening organizations, and instead of studying its impact on just the performance of the organization as a whole, she researches its impact on employees. Because employees are a company's most valuable resource, the success of the organization largely depends on their well being and its ability to create environments conducive to productivity. Additionally, while much of the research has focused on corporations and other for-profit businesses, she examines the subject in schools, where the organizations are less conducive to external competition and environmental instability.

The researcher gave questionnaires to senior staff in businesses and secondary schools and employees or junior staff in businesses and secondary schools. This subject is useful to the research topic because it provides a comparison in the experiences in corporations and in schools. In order to fully understand the impact of flattening an organization, it should be understood how it differs depending on the environment, whether that is the public or private sector.

Rajan, R. G. & Wulf, J. (2006). The flattening firm: Evidence from panel data on the changing nature of corporate hierarchies. *The Review of Economics and Statistics*. 88 (4). 759-773. Retrieved from <http://www.jstor.org/stable/pdf/40043033.pdf?refreqid=excelsior:2c2b68db8ab11e9ee2f29d2830663620>

The authors studied 300 large U.S. firms and their corporate structure, collecting data on areas such as the number of positions that report directly to the CEO, compensation, span of control, and long-term incentives. They conclude hierarchies have flattened, with the elimination of intermediary positions such as COO. They also examine numerous explanations for this transformation, including more access to physical capital, and the implementation of information technology. Limitations of the study include that it only represents large firms in the U.S., so it does not indicate whether these trends are prevalent in all organizations, or firms outside the U.S.

Also, the study does not focus as much on the correlation between flattening organizations and its impact on their profitability. Instead, it observes it from the perspective of it being a widespread trend. The research relates to the subject of horizontal leadership in that it details how firms are making structural changes to the organization and creating a more efficient process for the flow of information because there are less people and positions between the top and bottom of the organization.

Thylefors, I. E. C. & Persson, O. (2014). The more the better?: Exploring vertical and horizontal leadership in cross-professional health care teams. *Leadership in Health Services*. 27(2). 135-149. Retrieved from <http://www.emeraldinsight.com.ezproxy.liberty.edu/doi/full/10.1108/LHS-09-2012-0031>

The authors research the effectiveness of cross-professional health care teams based on the style of leadership present. The study included teams in occupational health service, psychiatric care, rehabilitation and school health care. Whereas vertical and horizontal leadership are usually seen as being opposed to one another, the authors approach the subject from a complementary perspective and examine how the approaches can be combined. Ultimately, they conclude that

the type of leadership approach should be based on the type of task at hand, citing horizontal leadership as more effective for complex tasks, while well-structured tasks necessitate more vertical leadership.

One of the research include is that the study tested the effectiveness of teams in Sweden. Views on leadership and authority differ between countries, and one view of leadership that is effective in one region may not be in another. Also, the questionnaire was a self-assessment, which means the participants' perspective of the results may differ from reality.