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Praxis

Going back to a traditional organizational structure

De vuelta a la estructura organizacional tradicional

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Abstract: This paper argues that a hierarchical and traditional organizational structure is essential to maintain communication, achieve innovation, and cement the further development of an organization that has just faced a severe crisis. Through in-depth interviews with family business owners and managers who overcame the challenges of Hurricane María in Puerto Rico, the relevance of the traditional organizational structure as a best management practice in times of crisis is examined.

Keywords: organizational structure, organizational design, crisis management, best managerial practices.

Resumen: En este escrito, se argumenta que una estructura organizacional jerárquica y tradicional es esencial para mantener la comunicación, lograr innovar y cimentar el desarrollo posterior de una organización que acaba de enfrentar una crisis severa. A través de una serie de entrevistas a profundidad con gerentes y dueños de negocios de familia que sobrepasaron los retos del huracán María en Puerto Rico, se examina la relevancia de la estructura organizacional tradicional como mejor práctica gerencial en momentos de crisis.

Palabras clave: estructura organizacional, diseño organizacional, gestión de crisis, mejores prácticas de gestión.

Introduction

Imagine that you are a high-level manager or family business owner. Then imagine that you just experienced one of the worst crises because of a natural disaster. This is precisely what happened to many business managers during September 2017 when María, a category four hurricane, hit Puerto Rico. Without power and difficulties accessing diesel, road infrastructure was severely affected, and cellular communications were abruptly interrupted; it was the perfect storm of organizational crisis. During those atypical circumstances, a more rigid and firmly-in-place organizational structure was critical for survival, stability, and posterior growth. In this paper, I will argue that a traditional, hierarchical organizational structure must be in place when a major crisis hits. This is because, during crisis events, a traditional and more rigid structure has the potential to nurture the organization by stabilizing the communication flow, opening the door for innovation, and creating a foundation for growth. Thus, to capitalize on opportunities during a crisis, high-level managers and business owners must take proactive steps to organize a strong chain of command, appointing group leaders and alternate leaders to maintain stability. At the same time, continuous training about flexible procedures must be embedded into the organizational culture in preparation for a crisis.

Literature revision

The disadvantages of a traditional organizational structure have been extensively discussed in management literature, demonizing structure as the culprit of many sins such as conflict, inefficiency, and maintaining the status quo, especially in family firms (Ahmad Tipu, 2023; Carney, 1998). This is why scholars have supported the basic idea behind mechanistic and organic structures for organizations as separate categories (Burns & Stalker, 1968), privileging organic structures. One of the most discussed arguments against a hierarchical, traditional organizational structure is that it can adversely affect communication flow within the organization and, consequently, hinder innovation efforts and reduce potential growth. Those functional silos are considered to provoke division into organizational actors' minds with nefarious consequences for coordination and problem-solving. Thus, researchers argue that flexible organizations consisting of horizontal structure, team-based, virtuality, and shared leadership are vital to thriving in constantly changing environments (Chung, 1994; Engle, 2013; Miles et al., 1978). The idea of organizational structural flexibility appears to be logical. Nevertheless, for managers, this notion of structure flexibility and non-hierarchical structure is put to the test in moments of a major crisis.

Methodology

To understand better how managers cope with a major disaster like Hurricane María, we conducted 23 profound interviews with high-level managers and presidents of the food industry in Puerto Rico, mostly family businesses, which have traditional organizational structures. The interview protocol followed methodological guidelines established by Charmaz (2006) and Corbin and Strauss (2015) in the development of grounded theory using multiple case studies (Yin, 2003). Data collected from the interviews was coded and reflected the convergences regarding the experiences that managers shared through rich and profound descriptions.

Findings^[1]

From those narratives, the organizational structure was revealed to be crucial during the crisis. Managers placed great importance on a rigid organizational structure for survival, continuity, and posterior development. In other words, when all physical infrastructure in Puerto Rico was broken, business warehouses suffered severe damage, and the public was distressed, the organizational structure, even though abstract, turned into a solidification resource. The mechanistic-based structure was necessary for the continuity of communication, innovation, and posterior growth.

Communication flow

How did hierarchical structure become the guiding light? Chaotical situations move people to routines because they need to recover stability. Those routines are printed on the organization, and structure is a significant component of organizational culture. The following quotes portray that communication flowed after the Hurricane María crisis because of the organizational structure. The chain of command and written procedures were points of support for the communication process during the crisis:^[2]

"... first of all, well, everyone has a chain of command. We went from the lowest level, in the sales area, because we have salespeople who report to a supervisor... and quickly, because the chain of command in that sense of communication... it flowed pretty well..."

"... people know what they have to do... people go out and act on what they have to do. I think the chain of command is clear and the priorities are clear..."

Established procedures filled the gaps and covered potential communication voids. Thus, structures promoted communication within hierarchical levels, providing stability to the operation:^[3]

"... but in our case, we were able to handle the things that happened, and again, we went back to our procedures..."

"... you start to feel those waves of the air bands and you, before that, you have to have all your procedures [defined]..."

Innovation surge

According to Truant and Broccardo (2020), the structure must determine and precede innovation strategy at the organizational level. Regarding this, organizational innovation due to hierarchical structure capabilities was very much present during Hurricane María crisis response. Nevertheless, no organizational structure changes toward horizontality were implemented, but managerial efforts adhered to traditional, well-founded structures. Traditional organizational structure is made of leaders in a transparent chain of command. Transformational leaders can innovate with flexibility and empathy. This can be illustrated by tactics employed by managers and business owners after the hurricane. For example, increasing inventory levels using new suppliers and expanding distribution through new routes and means, both are representative of process innovations. Those tactics were based upon a basic organizational structure form consisting of a chain of command instructions and employee continuous execution:^[4]

"... [we started] to move quickly looking for the corresponding supplies... there, the Purchasing Department that we have, well, they played with all the cards they had. For they brought in a lot of food to have here which enabled us to maintain the rotation of my [our] inventory..."

"... we had brought in an amount of product that was distributed... around the island... that could be a little bit more distributed geographically..."

"... so María taught us at critical moments... it was an immediate education... it was a disaster, but all that brought us an extraordinary lesson; some changes in some things..."

"... later we were able to work on the situation, that is, it was really a very empathetic communication..."

Foundation for growth

Rodrigues Alves et al. (2018) indicate that innovation leads to organizational growth, but that innovation has to be harnessed by structure. As noted during the Hurricane María crisis, the operational translation of structure is oriented towards the traditional one, creating an immediate response that supported strategy and, consequently, growth:^[5]

"... within a year I can say that I had rebuilt [my business] enabling me to operate fully and that my sales reached the same level as they were before María. Yes, in one year we had rebuilt ourselves completely. And we continued to grow..."

"... commercially, we were doing badly... things were not going very well until María. And María was an incredible rebirth for us..."

"... and then all three of our stores broke all the sales records, ever than before..."

"... well, orders we focused on practically quadrupled..."

Concluding comments

Facing chaos will inevitably lead managers and business owners to think about needed changes. Given the testimony of business owners and high-level managers during Hurricane María, we can conclude that this fast-changing and hard-to-anticipate environment we are living in should provoke organizations to rethink organizational structure. Implications for managerial practice are threefold. First, organizations should go back to traditional structures as a redundant, preventive measure while sailing the sea of unexpected. Suppose you are the owner or manager of an organization with a relaxed, non-traditional organizational structure.

In that case, it is time to create some hierarchical structure by officially appointing leaders and alternate leaders who can rotate in an emergency. Those transformational leaders will navigate the organization to a safe harbor by taking empathic care of employees and clients in times of confusion. Second, those leaders should be trained to provide safe spaces for building new initiatives that will be highly needed during a crisis to impact services positively and, in turn, earnings. Third, the organizational structure and its corresponding policies should be clearly communicated in business continuity plans and training initiatives to be effectively embedded in organizational culture. Opening formal communication channels will make responding to crises with timely and creative solutions easier. In conclusion, the traditional organizational structure is not the source of all evil but is potentially the leading facilitator of organizational processes during a major crisis by promoting communication, innovation, and potentiating growth.

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