

MANAGING HYBRID ORGANISATION: ISSUES AND CHALLENGES

Abstract

The world is witnessing technology-driven change fueling the need for organizations that are both digital and agile, connecting company operations on the common ground of vision, mission, strategy, values, standards, and regulations. A hybrid organizational structure is a unique blend of lateral and hierarchical structures of organizations and ensures flexibility, agility, and adaptability while retaining ultimate responsibility in the hands of the owners and executives.

Keyword: Hybrid Organisation, Organisation, Structure, Restructuring, Business process redesign, Culture change.

Author

Dr. Rachita Sambyal
Assistant Professor
UIAMS
Panjab University
Chandigarh

I. INTRODUCTION

Adaptability and sustainability are the essences of any organizational structure operating in a dynamic business environment. The basic functions of any organizational structure are to systematize functioning by identifying tasks to be performed, dividing tasks into small parts & assigning them to persons, creating responsibility & accountability and control, etc. so that the collective working of persons ensures optimum utilization of resources in accomplishing organizational objectives. Organizations across the globe have commonly four types of structures- Functional, Divisional, Matrix, and Hybrid. Functional structures rely on specialization in sub-dividing departments. Such structures support specializations & financial control but the cost and efficiency decrease with size. Multiple layers curb collaboration and innovation. In divisional structure activities centered around markets, goods, and services, customer demographics, etc. Simplification of financial structure allows quick response to market and changing consumer needs. An increase in size may lead to duplication of efforts and hampers communication and collaboration. Matrix structure is a combination of functional and divisional structures wherein vertical functions are combined with horizontal divisions. It promotes flexibility, shared resources, innovation & creativity. Its complex structure makes budgetary demand and resource usage difficult. Hybrid structures are based on the collaborative sharing of data and resources while preserving division-specific specializations. Traditional structures are similar to pyramids where senior management on the top and middle manager and lower-level managers at the end respectively. All decisions flow from top to down and accountability from lower to top. These structures are fixed and rigid. Besides these, business organizations also use other structures like process, circular, flat, and network. Process structures focus on end-to-end workflows thereby infusing adaptability and flexibility to market conditions. It is adaptable to multiple business needs and improves workflow. Excessive interdependence hampers productivity and efficiency. Circular structures are similar to rings with top management inside and lower-level staff outside the ring. It is self-sustaining through strong centralized leadership and communication. Its arrangement leads to additional resources and rigorous training for staff. Flat structures are based on more than one person on top and large staff at a lower level. It is flexible but high susceptibility to disagreement and conflict at the top. Network structures are practiced by large organizations with multiple divisions and locations. It collaborates and shares resources within the structure. It is versatile and suitable for multiple work locations. An increase in size may lead to duplication of activities and confusion.

1. Hybrid Organization-A conceptual analysis: The evolution of organizational structures is related to stages of development (Laloux, 2014, pp.13–51; 2015). Accordingly, he identified structures with different colours as red, amber, orange, green, and teal. The red organization is headed by a chief who keeps the staff in line. The structure is reactive and short-term oriented. Amber organizations are like pyramids with top-down command and control. Orange organizations are competitive, profit and growth-oriented. Green organizations focus on empowering employees. Teal organizations are self-managed and work for realizing full potential.

Hybrid organizations are interconnected and networked with inside and outside stakeholders.

Borys and Jemison (1989) introduced the concept of 'hybrid organizational arrangements', aligning the concept with strategic alliances, R&D partnerships, joint ventures, and licensing. Based on empirical research, hybrid organizations are categorized according to the breadth of purpose, the scale of operation, value creation, and stability mechanisms. Subsequently, Oliver Williamson (2007) gave the concept of a 'hybrid form' in transaction cost economics as a set of organizations such that coordination between those organizations takes place by means of the price mechanism and various other coordination mechanisms simultaneously'. A hybrid organizational structure is a combination of traditional and contemporary structures which has value systems, action logics, multiple reporting structures, etc. It also has a few attributes of proprietorships/partnerships and a corporation. The other characteristic features are:

- It has important elements of organizational structure- governance, rules of operation, and distribution of work
- It creates a shared vision and facilitates for improved coordination between the projects or teams
- Employees work on multiple projects and report to multiple bosses
- Shared ownership by goal incongruence financing mix, and differentiated forms of economic and social control
- Value creation through mixing, compromising, legitimizing the demands of multiple stakeholders
- Managers have the authority to give orders to subordinates and unite them in teams
- Managers set standards for performance and measurements
- The top managers supervise financial consolidation, forecasts, and strategy implementation
- It simultaneously pursues a social or environmental mission along with a commercial aim
- It is responsive and reactive to avail any future opportunity
- It can avail advantage of market disruptions and protect business continuity, innovation, and growth.
- It leverages technology to maximize effectiveness, productivity, profitability, market share, etc.

A hybrid structure is suitable for large organizations and scattered areas of operation. It can also be seen in the public sector, the private sector, and the voluntary sector. Starbucks follows a hybrid organizational structure where it represents a mix of functional structure, geographical structure, and product-based structure. Finance, marketing, and human resources represent functional aspect and geographic divisions include America, Asia-Pacific, Europe, and Africa and HR manager operates at the micro level and report to his functional head and simultaneously to the geographical head. International Business Machines (IBM) has its headquarters in USA and its international divisions are established in North America, Asia, Europe, etc. Each region is divided into countries reporting to CEO or president at headquarters.

2. Trends and benefits of Hybrid Organization Structure: The forces driving organizational change and adaptation of hybrid organizational structure are

- **Technology:** Digital revolution has disrupted businesses, industries and consumer behavior. Digital technology includes software and IT systems have become imperative in the workplace. Physical technology such as robotics, manufacturing technology, aerospace, etc. impacts the quality and delivery of goods and services. Biological technology such as genetic editing and pharmaceuticals will receive more investment after COVID. These technical innovations would certainly impact change in the business landscape and its structures.
- **The COVID-19 pandemic:** The pandemic has significantly impacted changes to the social and economic order of the world. It has changed customer needs, expectations, and behavior. Digital transformation in the healthcare sector, disruptions in supply chain management, and the trend towards de-globalization are going to impact organizational structure.
- **Human dynamics:** Customers' being the center of any business activity is affected by the business environment. They are demanding socially and environmentally friendly products. Organizations catering to social mission & welfare, positive relations globally & locally, meet technology –mix such as virtual reality and the Internet of Things (IoT) would survive.
- **Restructuring:** Restructuring is the act of change to survive in the marketplace. This may be induced by changing business environment, entry of new method of production, poor business performance, etc. In such a scenario, the need for proper organizational structure becomes imperative
- **Business process redesign:** Technological innovation, quality revolution, globalization, open economies, etc., have questioned the sustainability of any organization. Business process redesign is a complete overhaul of a company's structure and key business processes to improve customer service, increase return on investment, cut operational costs, and improve competitive ability.
- **Culture change:** Culture influences top management perception and drive employees towards the organization's values and goals. Culture inspires employees and drives them towards productivity. Environment-induced change influences work flow, authority responsibility, and accountability in an organization.
- **Advantages of the hybrid structure are**
 - **Enhanced efficiency:** The hybrid structure being combination of several organizational structure, results in efficiency and lower cost. Work is distributed & assign to professionals who have expertise so that output is delivered in time
 - **Team building:** Hybrid organizational structure is based on team performance who are geographically dispersed but have common goals. Such cross - cultural unity has helped many organizations to transform from national entity to global business performer.
 - **Flexibility:** The structure is flexible as the relationships among the top, middle and lower management become cordial through constant dialog, interaction, and prompt

redressal mechanisms. Employees can be engaged at multiple locations to optimize their value.

- **Empowerment of employees:** The structure empowers the employees who make a decision at the place of work. Such involvement builds confidence among them besides yielding psychological satisfaction.
- **Full utilization of resources:** Resource allocation is optimally distributed among departments and functional managers. Thus, wastage of resources and time is minimized.
- **Professional advancement of employees:** It enables employees to learn new processes and improve their skills. Such an environment gives them chance to grow in their career.
- **Secure employee loyalty:** Employees feel that their expertise is acknowledged by the organization and suitably compensated. This increases employees' loyalty and they tend to remain in the organization for a longer period of time.
- **Positive impact:** Hybrid organizations create a positive impact on stakeholders due to their ability to deliver quality offerings at multiple locations, continuous learning, better collaboration & work relationship and cordial work environment. Clear departmentalization, financial strength and large employee strength capable of innovation differentiate organization from others.

3. Issues and challenges before hybrid organizational structure: A hybrid organization combines various structures to achieve multiple goals and to satisfy diverse stakeholders, the potential for conflict within structure is a challenging issue. The conflict issues in operations are:

- Duplication in task allocation and monitoring procedures can result in high costs.
- Increase in size can create complexity in operations and supervision.
- Directive ambiguity can make it difficult to resolve issues of authority and create interpersonal conflict.
- In complex and large companies, the workload assigned to employees is high and employees feel burnout.
- It creates conflicts in reporting especially when an employee is needed for multiple projects.
- Conflict between vertical functions and horizontal product lines breeds inefficiency and an increase in operational cost.
- The hybrid structure often leads to chaotic situations if the roles and responsibilities of managers are not identified and communicated.

The hybrid structure provides organizations to allocate their task geographically and functionally and at the same time ensure maximum customer centricity and market proximity. Keeping increasing networked and digitally linked operations, middle and lower-level managers need to be equipped with technology and soft skills through training and mentoring. With rapid changes in communication, managers need to invest in one-to-one discussions and teams so that employees do not feel left alone. To control overall operations, it is necessary to move towards a flatter hierarchy and delegate some work to lower employees.

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