Making Sure That Everyone Knows Their Place

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Why formal structures and greater diversity create status disagreements and how to fix the issue.

Organisations are becoming increasingly complex beasts. Globalisation has led to the rise of vast multinationals made up of diverse business units and teams operating across many countries and time zones. Perhaps unsurprisingly, such growth brings with it a series of management issues.

One pervasive challenge is the potential for disagreements between employees regarding who has higher status and who should defer to whom in situations where there are differences in views and opinions. Organisational scientists have documented that upward status disagreement (USD), a situation in which individuals disagree about who has higher status, is particularly harmful to organisations. Research shows that USD may result in a rise in interpersonal and status conflicts (i.e. attempts to assert dominance, forming opposing coalitions and making political plays). It may also increase focus on individual goals rather than collective objectives.

Why does USD occur in organisations?

Organisations assume that imposing clear and objective formal hierarchical structures should reduce USD. This approach would seem to make sense, as it gives everyone clear cues in terms of their own job title and ranking in comparison to colleagues. After all, what could be clearer than a well-designed organisation chart to show people exactly where they rank within an organisation?

In our research, we question this assumption. Instead, we propose that USD can actually occur as a result of, rather than despite, the presence of formal hierarchies. Our analysis has identified key scenarios in which USD is more likely to take place. We illuminate why these flash points might arise and then suggest some actions that can help organisations reduce or even prevent their occurrence.

Formal vs. informal status

A straightforward source of USD is the lack of alignment between formal rank and informal status. Consider the case of a sales director whose department contributes 35 percent of the company's profits every year. Meanwhile, a senior sales director, who has higher formal rank, leads a different department that is underperforming and contributes just 20 percent of the company's annual profits. In this scenario, the sales director may believe that she has higher status because her department has a better P&L performance. At the same time, the senior sales director may believe that he has higher status because he is ranked higher in the organisation's formal hierarchy.

The disagreement about who has higher status may not necessarily surface if the two sales directors don't need to work together. They can both retain their personal belief that they are the higher ranked without it ever leading to conflict. It is only when they are asked to collaborate, perhaps to develop a joint sales campaign, that USD might erupt.

Formal hierarchies are nested

Company hierarchies are not ladders – rather they are often made up of many branches and nested sub-units. For instance, a large multinational might have a number of sales directors in charge of different sales teams (or sub-units) based in different countries. This can set up a tension between local and global ranks. A vice-president may have higher global rank than a director, but if the VP ranks third in their unit whereas the director ranks first

in their unit, and the second unit is not nested in the first, who should defer to whom when they meet in a cross-departmental team?

Many organisations today are looking to actively break down silos, believing that greater interaction between departments is good for the company and can help foster a greater shared purpose and togetherness. However, such a strategy can actually increase the chances of USD as in the example above.

Not only can local rank (i.e. first vs. third in the case of the director and the VP) be a source of conflict, so can parochial views on whose unit is more important. Research on motivated perception suggests that people pay more attention and give greater weight to their own contributions and have an inflated perception of their status relative to other people's contributions.

Egalitarian systems can accentuate USD

Many modern companies pride themselves on an egalitarian approach. They point to their flat organisational structures as a more efficient and effective way of operating. The argument is that a lack of hierarchy ensures clearer lines of communication, enables faster decision making and empowers individuals to take more responsibility for their own roles. However, a lack of formal ranking structures may cause USD to arise because people are fundamentally motivated to compare themselves with others and may draw on informal cues such as race, gender or seniority, regardless of whether they are appropriate or not, in making their judgements.

How to reduce the risk of USD

The good news is that our research didn't just identify potential flashpoints for USD. We also identified some relatively simple solutions that senior executives can consider to limit the chance of these misunderstandings arising in the first place.

The first of these is appreciating that different formal and informal cues can exist and that they can impact perceptions of status within different teams or regional sub-units. To mitigate the chance of USD occurring, senior executives should therefore exercise careful judgement before asking individuals from different teams or regions to collaborate.

But we can say more. Our analysis shows that USD only occurs if there is inconsistency in how individuals weigh different status cues (and not simply in terms of differing on these cues). That is, individuals may believe that

different status cues have different importance and may weigh them differently from one another.

Ensuring strong localisation of company-wide culture and norms regarding the weights assigned to these cues – such as how seriously global vs. local ranks should be considered – reduces the chance of USD occurring. A strong company-wide culture allows the sales manager and the head of production to properly appreciate the equal value of both departments (and their colleagues) in helping achieve the company's overall mission.

Strengthening uniform cultural norms can also be relevant when considering the potential for USD to arise in less hierarchical organisations. There is a reason why armies have clearly defined rules and structures in place regarding formal ranks. Every soldier knows who is in charge and who they take their orders from, allowing for complex actions such as troop movements to be carried out quickly and efficiently.

But armies also have clear norms that dictate when local ranks and status take precedence over global ranks – such as during combat missions where the commander in the field makes important executive decisions. The key is having a culture that all soldiers share regardless of their rank, which allows coordinated switching in the importance given to different cues in different situations.

This applies even if an organisation has a relatively flat hierarchical structure unlike an army, because clarity on the status hierarchy – through a strong company culture and values – can prevent informal cues leading to status disagreement and the potential for status conflict.

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About the research

["Formal Hierarchy As a Source of Upward Status Disagreement? A Theoretical Perspective"](#) is published in *Organization Science*.