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THE ACTION APPROACH TO ORGANIZING IN THE DIGITAL ECONOMY



Keynote speech by

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Summary

- What is new about the digital economy?
- How can the theory help us better understand organizing and design in the digital economy?
- Organizational action and the return of engineering to organizations

What is new about the digital economy?

o The micro environment

- **Cross-Functions** - Integrated business processes that cut across traditional business functions
- **Links to Customers and Suppliers** - IT enables the integration of supply, production and delivery processes
- **Customer Segmentation** - Customized products and services with high quality, low cost and short lead times
- **Innovation** - Product life cycles continue to shrink
- **Knowledge Workers** - The divide between the intellectual elite (managers and engineers) and the manual labour force is disappearing
- **Global Scale** - digital networks allow multinational companies to do all of the above on a global scale

What is new about the digital economy?

- The macro environment: the internet
 - The internet has emerged as a **flexible infrastructure** outside any strategic plan; it allows people to share information in ways that our textbooks never even imagined
 - It is about **horizontal networking** while in many textbooks you can still see a pyramid representing the organization and its information systems (Ciborra, 2002)

What is new about the digital economy?

- The macro environment: the age of convergence
 - **The Newtonian revolution unified heaven and earth**
 - **The Maxwellian revolution unified electricity and magnetism**
 - **The Einsteinian revolution unified mass and energy**
 - **The Complexity revolution is unifying science and every-day life.**

Convergence
in the
sciences

Complexity is a “broad-based enquiry into the common properties of all living things - beehives and bond traders, ant colonies and enterprises, ecologies and economies, you and me” (Pascale et al, 2000)

What is new about the digital economy?

- The macro environment: the age of convergence

Convergence in the organization:

- **Computers and telecommunications**
- **Business and IT**
- **Information and knowledge**
- **Time and competition**
- **People and systems**
- **etc ...**

Most of which
can be
summarized in
the prevailing
socio-technical
perspective of
**INFORMATION
SYSTEMS**

What is new about the digital economy?

○ The macro environment: increased visibility of the inner workings of all types of organizations

- **ENRON**
- **WORLDCOM**
- **SARBANNES OXLEY**
- **HEWLETT PACKARD**
- **etc ..**

Just the tip of the iceberg. Due to the transparency of organizational processes, people know and want to know what goes on (including their own statuses in organizational memories)

What is new about the digital economy?

What does this intersection mean for the way we design and organize?

The age of convergence

The internet

Increased visibility of the inner workings of organizations

How can the theory help us?

○ What is the nature of organizational design?

Often, *design* is taken to mean things like organizational charts, written procedures or job descriptions and the more dynamic connotation of design is often neglected.

However, “a well designed organization is not a stable solution to achieve but a developmental process to keep alive”

(Starbuck and Nystrom, 1981 in Weick, 2001: 60)

Design and action
seem to be linked ...

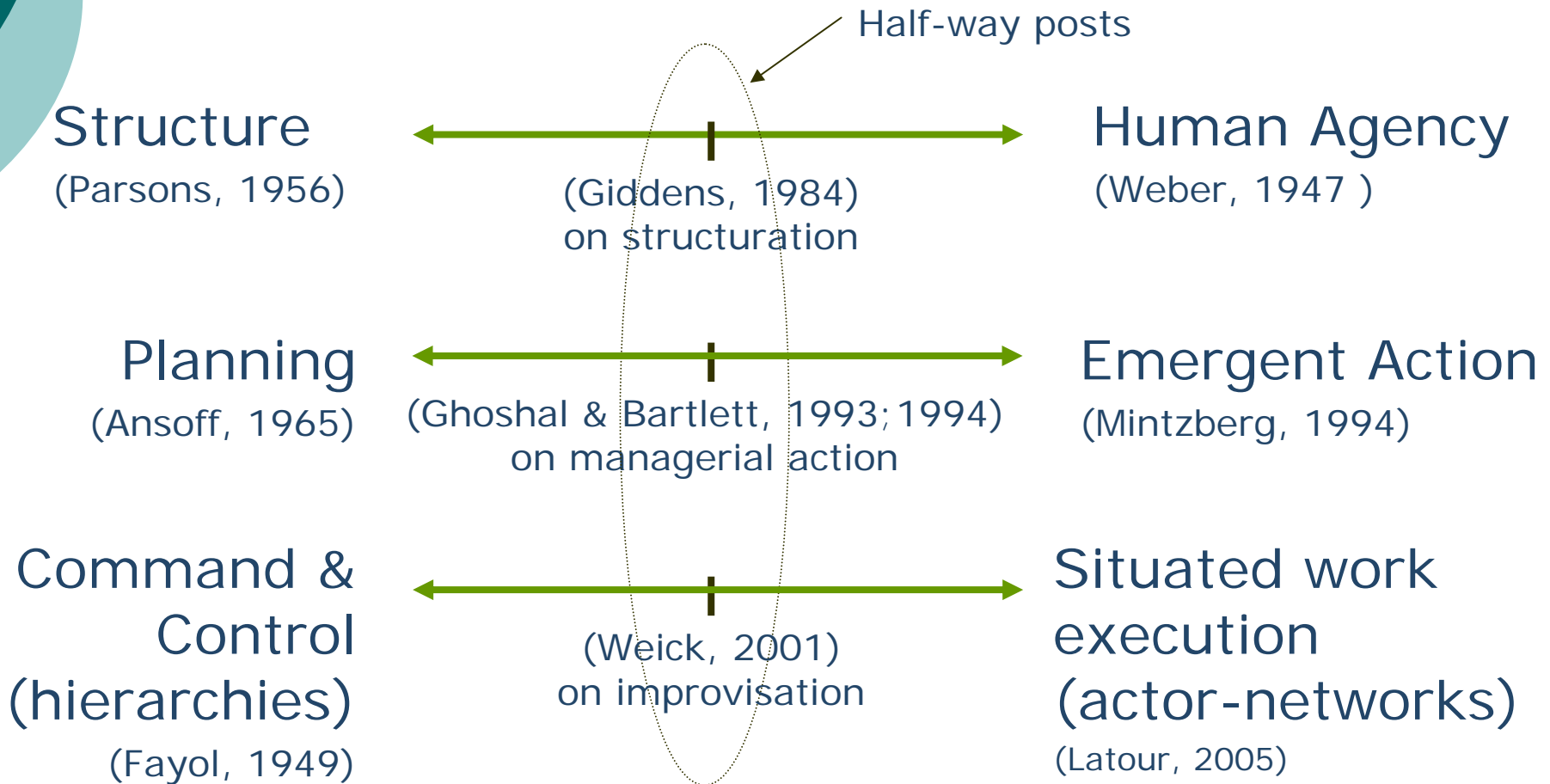
How can the theory help us?

Everything seems to point to the need for a more action-oriented stance on organizing and design.

But, what is “action”?

How can the theory help us?

- Ontological propositions on organizational action:



How can the theory help us?

- Ontological propositions on organizational action:



- Pondering the interplay of individual action as well as institutional structures as the forces underpinning organizational design compels us to consider a constructivist perspective

How can the theory help us?

- Ontological propositions on organizational action:



- Considering social action and not just strategic planning as the foundational drivers of organizational design leads us to adopt a managed action perspective

How can the theory help us?

- Ontological propositions on organizational action:

Command & Control
(hierarchies)



Situated work execution
(actor-networks)

- Conceptualizing organizations not just as command and control hierarchies but also as ever changing networks of action invites us to consider a real-time or near-real-time action perspective

How can the theory help us?

- Ontological propositions (summarizing very roughly the new foci for organizing and designing):

Action = Social Construction



Understanding the individual vs collective nature of organizational intelligence

Action = Situated Leadership



Recruiting, Evaluating, Retaining, Coordinating and Motivating Talent

Action = Execution
(real-time or near-real-time)



Modelling, Designing Automating and Monitoring Tasks, Activities and Processes

Conclusion: What does the action approach mean to organizing in the digital economy?

o The return of engineering to organizations?

First wave of the engineering approach (1920)

Dominated by Fredrick Taylor's theory of management. Time-and-motion studies (i.e. processes) achieved great success but the approach lacked the human dimension

Second wave of the engineering approach (1990)

Reengineering of processes inspired on Michael Hammer's article of 1989. The ability to reduce costs is the goal. Automated activities are dependent on ERP and other packaged systems. Delaying, layoffs and radical transformation made the BPR movement untenable.

Conclusion: What does the action approach mean to organizing in the digital economy?

- A third wave of **organizational** (OE) or **business engineering** (BE) emerges anchored on the following notions of action:

1. A modelling or hard approach, encompassing methods or models for strategy development, process modelling and design and systems development

←→
3. Linked by an epistemology of social construction of the organizational phenomenon

2. A non-modelling or soft approach, not focussing on methods or models but on skills of leadership, empathy, motivation, communication and a holistic perspective of organizational change

Conclusion: What does the action approach mean to organizing in the digital economy?

OE or BE propose:

- that organizing is about **action** (i.e. executing) rather than setting up of structures, procedures or automated systems
- that organizational execution is materialized through work tasks and horizontal **processes**, the building blocks of organizational design
- that the concept of time in organizational action and change has shifted to **real-time** or **near-real-time**
- that the task of the organizational engineer is to enhance organizational **agility** and **change** through the design of human-centred systems working at the grassroots of communication, information exchange and work monitoring (Magalhaes, Zacarias and Tribolet, forthcoming)



Thank you!

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