NEW PHILOSOPHY OF NETWORK ORGANIZATIONS

Jasmina RAJAKOVIĆ, Vesna RAJAKOVIĆ, Jelena MIJAILOVIĆ

University Business Academy, Novi Sad, yeya_m9@yahoo.co.uk

Abstract: In the literature we can find a great confusion about network structure. A great number of authors who deal with this topic has its own interpretation, definition and classification of this new form of organization. For this reason, different network forms can be found under the terms like networked organization, the internal market, virtual organizations, spider web organizations, fishing net organizations, heterarchy, and under a number of other terms. The concept is as follows: organizational unit mutually associated by information links (usually by using information technology), are mutually independent, nonhierarchicaly organized and operate between each other and with the external environment, usually in accordance with a common goal.

INTRODUCTION

The idea of heterarchical organization comes from neuropsychological studies of human brain that were carried out in 1945 by Warren McCulloch. He reached the conclusion that brain needs to have a heterarchical organization unlike previous hierarchical models, describing that organization as neural network that is specially equipped for parallel processing of information. If such a concept is transferred to the organization, we obtain the structure whose interrelations are not strictly regulated, but they are activated, i.e. independently regulated depending on the situation.

It is necessary to observe that network forms can be divided into intra- and inter-organizational. In fact, intra-organizational forms are new forms of organizational structure, while inter-organizational represent the associations of entire organizations or organizations' parts. Firstly, we will deal with inter-organizational aspect of networks, in order to have a better insight into situation, while inter-organizational forms will be processed in the next part.

1. NETWORK ORGANIZATION

Since in network organization there is no control and ordering individuals, and information exchange is a fundamental activity in the network, it could be said that it does not have a structure in the classical sense of the word, i.e. if it does exist, it is very loose. Network organizational structures are very flexible, because they can easily be adapted to newly emerged situation, but the issue of specialization is logically imposed. That problem did not exist with hierarchical structures, since they are, by themselves, based on specialization. For that reason, new concept is introduced, which sounds paradoxically, and that is the concept of flexible specialization. If we observe the structure of network organization, we can see that although it is flexible, it is also specialized, because each knot (individuals, parts of enterprises) is firmly specialized in one narrow field and thus offers a specialized service. Organizational networks can be divided into dynamic and static, where the forms are different by the nature of relations between members. Namely, in case of dynamic networks, the relations are relatively inconstant, while in case of static networks, they are relatively constant.

1.1. DYNAMIC NETWORK

Dynamic network organizational structure can be most easily seen in the example. Film industry includes a whole network of different agents – designers, media houses, distributors, experts for marketing, directors, actors, cinematographers, writers and others. When a project of a future film is created, they are all gathered and the network structure is created. Each of the agents can be included or excluded from the projects as he wishes to, so it is justified to say that it is about a dynamic network (Figure 1.).
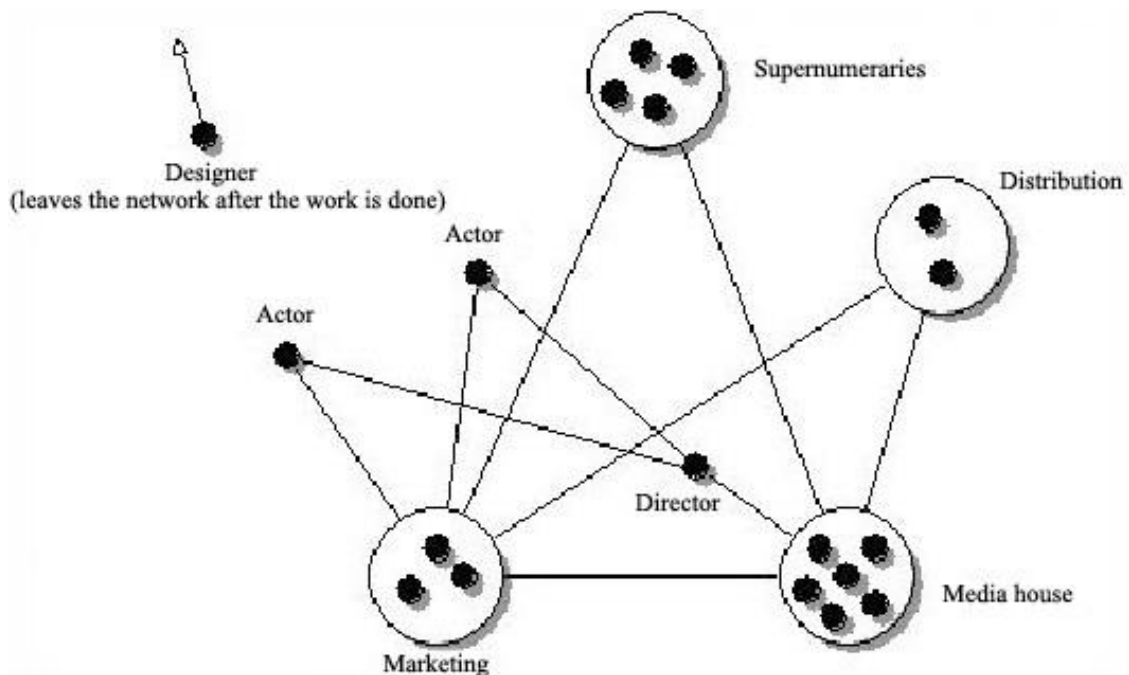

Figure 1. Dynamic network

1.2 STATIC NETWORK

The example of static network could be an example of an organization that bases its operation on so-called distance work. The employees work at home or wherever they are found, and they are connected with associates by various communication and information means. All of them work for the same company, in relative full-time, and thus they represent a relatively static network structure. It needs to be mentioned that there are different interpretations of dynamic and static networks, where by dynamic networks we can generally imply all network structures in case of which there is a certain dynamics. Here, we are trying to make a classification that will provide us with a better insight into the functioning of network structures, thus we are trying to focus on important characteristics, regardless of the names. In literature related to network organizational structures, we frequently encounter the terms fishnet organization, networked organization and internal markets.

1.3 FISHNET ORGANIZATION

Fishnet observed on the coast is entirely non-hierarchical (therefore, it is called heterarchy, but if some knot is taken and raised, as shown in Figure 2, then we can see a hierarchical structure, in case of which the knot is raised on the top. Then we can raise

and drop the knots, creating thus dynamically new hierarchies, i.e. destroying the old ones. In the analogy with that, in networked organizations some knots, which represent people or the parts in this context, temporarily become a kind of business coordinators.
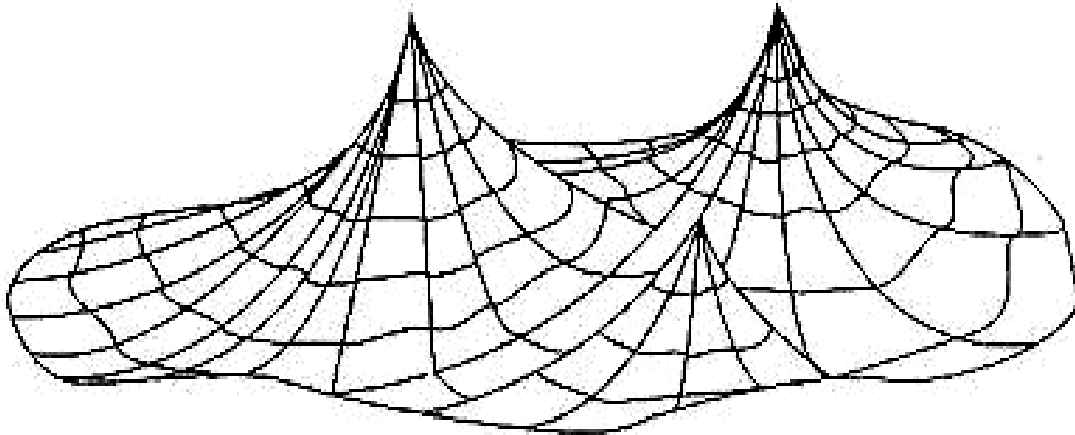

Figure 2. Fishnet network

It is interesting to ask the question whether it is about a dynamic or static network structure. If we observe it through the prism of dynamism in organization, we could reach the conclusion that it is about a dynamic network. However, the employees are employed full time, thus the relations are relatively constant, so it is about static network structure. The example of such an organization can be found at Canadian Faculty Centennial College, whose administration has established a partnership with various IT and other companies, when constructing the largest multimedia center for trainings. In that way, common center has become an infrastructure of fishnet, because each party has the right to use it for its own purposes, which is analogous with the network and actually represents raising or lowering of the knots. Namely, in the center there are various projects in which teams from various companies participate, where different hierarchies are thus created and erased. Here, it is necessary to mention that this is the example of inter-organizational character.

1.4 NETWORKED ORGANIZATION

Lipnack and Stamps have defined networked organization (sometimes referred to as distributed organization) as an organization in which people and groups seem as independent knots, and are linked beyond conventional boundaries in order to achieve common goal. They have many different leaders and coordinators and thus, they include many transverse and direct connections and interactions.

Advantages of networked organization are:
1.   Care about the customers – information from associates that are in a direct interaction with customers and users are rapidly spread on the other parts of organization;
2.   Maximization of potential knowledge in organization – everyone are experts for everything;
3.   Minimization of uncertainty – the network will reliably work even in case that some parts fail (e.g. natural disasters), and
4.   Reagibility and adaptivity – network is able to quickly react and adapt to external impacts.

Flexibility represents a key of the network, and it is based on highly developed information support, such as support systems for group work, modern communications etc. According to the studies, networked organization will not succeed if:

1.   All interested parties and partners are not identified and addressed;
2.   There are incompatible goals and missions between the knots, which is followed by lack of motivation for community and
3.   The existence of dominant knots that put the pressure on other knots.

1.5 INTERNAL MARKETS

Concept of internal markets was developed due to a problem of large corporations that have become so large and complex that they must reject the hierarchy and decentralized. The idea is to organize particular parts, divisions, groups and teams within a corporation as independent enterprises that compete with internal (intra-corporation market).

In that way, all the parts are transformed into small enterprises that operate among each other and with external associates. They compete among each other in internal market game, where those units that achieve higher success receive greater resources for disposition as a reward.
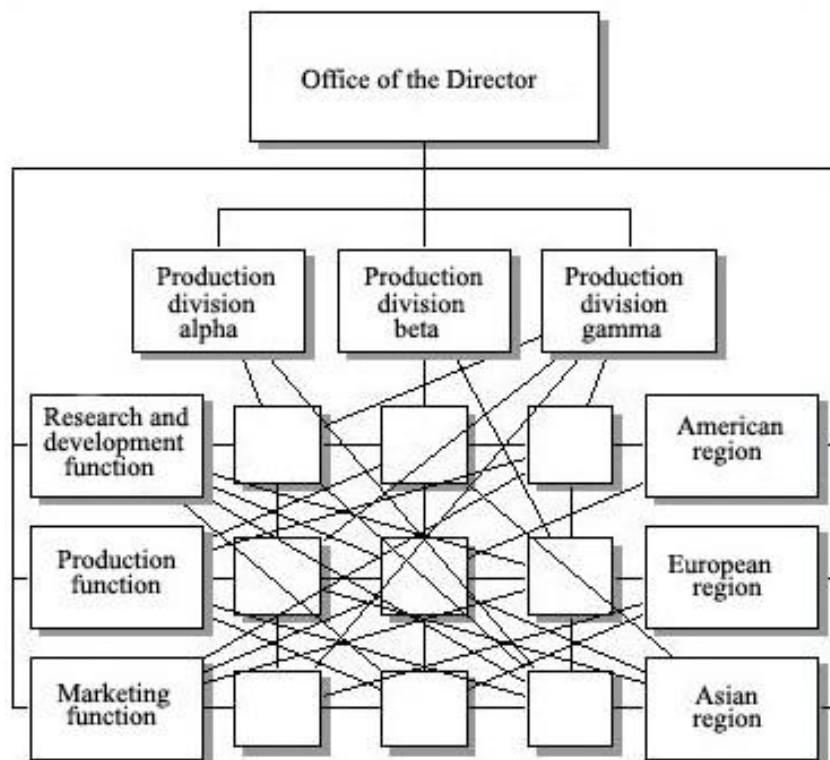

Figure 3. An example of internal market's organization

The concept of internal market is based on three principles:

1.   Transform the hierarchy of internal entrepreneurial unit – they become construction blocks of organization, which are entirely autonomous in control over all operations, but responsible for its achievements;
2.   Create an economic infrastructure for directing the decisions – common systems of communications, financial initiatives, accounting, entrepreneurial culture, policies, etc, are established. In the same way in which the states regulate their economy;

3.   Ensure leadership for encouraging collaborative synergy – workers become entrepreneurs with free will of operating, and former corporate managers become the officers of that enterprise community.

One of the best examples of achieving the internal market is the corporation Cypress Semiconductor. Each business unit represents an independent corporation with own supervisory board. All advisory and service units sell their services to production units, while production units deliver products to retail outlets. Director-general describes the situation in corporation after the restructuring as "resolving the socialism in organization".

Whether it is about a network structure, it is easy to notice since the units are mutually autonomous; the structure is hierarchical and extremely decentralized.

2. DISADVANTAGES AND ADVANTAGES OF NETWORK CONNECTIVITY

2.1 DISADVANTAGES

Coordination problem: that is particularly expressed in case of high technology and in processes in which there is high interdependence, there is a strong need for a constant interaction so that the ideas for product's development could be aligned.

Problem of quality control: different partners in network are sometimes not able to completely accept the standards of parent company, which can make the maintenance and control of product's quality even more difficult.

Possibility of abuse: if it comes to the cancellation of partnership to some members that possess sensitive information related to business secret, copyright, technical documentation, intellectual property, there is always a danger that it can be abused.

2.2 ADVANTAGES

Advantages are the following:
- Economic relations in network are clear to all the partners and completely voluntary,
- Clearly defined obligations and standards set must be executed and respected,
- Network organization is in a constant process of renewal and adaptation,
- It has to be continuously adapted to the market, technology and other impacts from the environment,
- Network organization is based on confidence,
- The sense of belonging to the community is created,
- It is useful for the companies whose activities are based on information, ideas and particular competences.

CONCLUSION

From the above-mentioned, we can see that there are many types of different network organizational structures, and here, we have mentioned only those that are most frequently used. We can conclude that networks have newer forms of organizational structures, which bring along new philosophy and turn Taylor's concept of "scientific management" upside-down.

On the paper, i.e. formally, it is easy to pass from hierarchy into heterarchy, but changing the way of thinking in the heads of line managers is another issue. Network organizational structures, in terms of changeable environment, are accompanied by flexibility, autonomy, adaptivity, reagibility, decentralization and connection between all parts of organization.

Such a concept is enabled by the development of information technology, and without this technology it would be almost unimaginable.

References:

[1] Veljović, A., "Menadžment informacionih sistema", Megatrend univerzitet Beograd, Beograd, 2002.

[2] Jovanović - Božinov M., Živković M., Cvetkovski T., Organizaciono ponašanje, Megatrend University of Applied Sciences, Belgrade, 2003.

[3] Momčilović, O., PhD thesis, „Upravljanje znanjem i promenama odlučujući faktori savremenog informatičkog obrazovanja, Faculty of Management, Novi Sad, 2008.

[4] Momčilović, O., Adamović, Ž., Milošević, S., Metodologija naučnih istraživanja (aspekti sistemskih razmišljanja), Belgrade, 2009.

[5] Momčilović, O., Adamović, Ž., Milošević, S., Metodologija naučnih istraživanja (aspekti sistemskih razmišljanja), Belgrade, 2009.

[6] Marinković, V., Momčilović, O., Savremeni menadžment i obrazovanje, TQM Centar, Zrenjanin, 2010.

[7] Momčilović, O., Teorijska razmatranja o menadžmentu znanja i promena kao katalizatora savremenog obrazovanja, TQM Centar, Zrenjanin, 2010.

[8] Momčilović, O., Empirijska razmatranja o menadžmentu znanja i promena kao katalizatora savremenog obrazovanja, TQM Centar, Zrenjanin, 2010.

[9] Rakita, B., Međunarodni biznis i menadžment, Belgrade, 2006.

[10] www.hren.hr/download/download_2g/organizacija/organizacijska_struktura