

**E-BUSINESS: STRATEGY AND POLICY**  
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*Discuss the emergence of “new organizational forms” in the information intensive environment in terms of power relations and control regimes (heterarchy).*

This paper discusses the emergence of *new organizational forms* in the information intensive environment. This is being achieved by giving a historical overview on how organizational forms evolved and discussing the contributions of information and communication technologies to the development of new forms. Special attention is being given to power relations and control regimes in different forms. The *operating system* (German: Betriebssystem) of the German firm Premium is being provided as an example for new organizational forms in general and *heterarchy* in particular.

By discussing the afore-mentioned topic it seems important to start off with an overview on the historical evolution of organizational forms. Surprisingly the earliest form of management best practice which enabled managing large-scale organizations was not an approach of humanity, but slavery. In the early sixteenth century slavery in the plantation economies of America formed the basis for many early ideas of our modern-day understanding of Organizations. (Clegg, Kronberger, & Pitsis, 2009, p. 49)

Thus for example a system of work and management that was simple enough to be understood by people wrongly regarded as *ignorant savages*, as well as a limited set of tasks, were developed and performed under the direct control of an overseer. Workers were managed through receiving punishments. Depending on the view of slave owners, some managed their workers as “prudent investors seeking neither to underutilize nor to waste”, in opposite to others who “sought to extract as much value from a slave before they died” (Clegg, Kronberger, & Pitsis, 2009, p. 49). Thankfully, slavery was disestablished in 1865.

However, until the mid 18<sup>th</sup> century, not many organizations were large, because they had to be financed through the limited capital of their owners. The development of Limited Liability Legislations [LLL] in the UK separated the private money of owners from their business capital. Schumpeter thereby commented that: “speculation using other people`s money would necessarily be riskless. An entrepreneur who starts with nothing *cannot lose*” (Casson, 2005, p. 41). Thus the division between one`s own money and the financial situation of one`s corporation provided the basics for large-scale corporations<sup>1</sup> and the share market.

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<sup>1</sup> An example for this effect is of LLLs is Krupp works in Germany, which had 72 workers in 1848 and 12.000 workers in 1873 (Clegg, Kronberger, & Pitsis, 2009).

Onto developing different ideas on how to manage those growing firm bodies<sup>2</sup>, Max Weber developed the basics of an organizational design on the back of his religious world view. He stated in 1948: “No special proof is necessary to show that military discipline is the ideal model for the modern capitalist factory.” This led to *order*, *discipline* and *authority* to become organizational watchwords (Clegg, Kronberger, & Pitsis, 2009). Thus the form which he suggested and which should probably become the mostly distributed organizational form in the western hemisphere during the nineteenth century is the *bureaucracy*. According to Clegg, Kronberger, and Pitsis (2009) a bureaucracy consists of a hierarchy of “differentiated knowledge and expertise in which rules and disciplines are arranged not only hierarchically in regard to each other but also in parallel”. Thus organizational forms developed from a slave-holder into hierarchical form, which sincerely brought freedom and autonomy to people but would still include some control and power features of the original form.

By catching a glimpse of the environmental playground of firms, one might see some fundamental changes between the early and the late nineteenth century, which supported the emergence of *new organizational forms*<sup>3</sup>. The underlying transformation creating the “necessity for new ways of organizing is the shift from a physical economy, which was served well by the principles of bureaucracy, to an information-intensive economy, whose structural implications are not yet clear” (Child & Gunther McGrath, 2001). Even though this shift did

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<sup>2</sup> Taylors scientific management approach (1895), Fayols (1916) approach on workforce training, Mayos Human Relations School (1928), Barnards approach on common goals of a workforce (1936), Folletts (1941) concept of power as the essential basis for understanding business and the necessity of democracy in firms (for more information see Clegg, Kronberger, & Pitsis, 2009).

<sup>3</sup> One may define an organizational form as an “organizational design for structure” (Clegg, Kronberger, & Pitsis, 2009, p. 178).

not lead to the displacement of bureaucracy by another dominant form yet, but it provides new challenges and thus a nutrient medium for the emergence of new forms.

Thereby the information environment is characterized by providing information that link resources, customers and markets to each other and thus enables entrepreneurial action (Smith and Di Gregorio, 2002, as cited in Lee, 2010, module 3). Thus new communication technologies increase the ability to exchange knowledge across organizational boundaries, making cooperation vastly easier. “Consequently, the growth in the number of jobs that are information-intensive is not confined only to high-tech sectors” (Powell & Snellman, 2004).

Due to the huge popularity of different bureaucratic forms during the nineteenth century *new organizational forms*<sup>4</sup>, were often regarded to as post-bureaucratic forms. However Clegg, Kronberger, & Pitsis (2009) suggest that one could also understand them as anti-bureaucratic forms, since many of them are build to be the opposite of a bureaucracy for example in terms of “stressing flat structures rather than tall hierarchies, multi skilled capabilities rather than a rigid division of labor, informality rather than a high degree of formality” (Clegg, Kronberger, & Pitsis, 2009, p. 178). Fairtlough (2007) also identified two main features as the core of new organizational forms, which are the reduction of hierarchy and a move towards less rigid ways of organizing.

However different concepts on how to manage organizations have different characteristics. In Table one, ten concepts of new organizational forms are briefly listed and described. Hereby regarding to the word limit earlier concepts of new organizational forms<sup>5</sup> are being left behind.

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<sup>4</sup> One may define an organizational form as an “organizational designs for structure” (Clegg, Kronberger, & Pitsis, 2009, p. 178).

<sup>5</sup> By referring to *earlier organizational forms*, the author talks about forms which emerged independent from the emergence of information technologies, such as the M-form organization (emerged in the 1930s), and the Matrix organization (emerged in 1971).

<b>Concept</b>	<b>Key Characteristics</b>	<b>Reference</b>
<b>Adhocracy</b>	<ul style="list-style-type: none"> <li>- organizations that have simply grown, without much explicit design</li> <li>- lack of structure and formal rules</li> </ul>	Mintzberg (1983)
<b>Clans</b>	<ul style="list-style-type: none"> <li>- based on shared culture rather than on formal rules</li> <li>- many of the members might be in a traditional society</li> <li>- culture is overwhelmingly oral rather than recorded in formal rule-like statements</li> </ul>	Ouchi (1980)
<b>Creative Compartments</b>	<ul style="list-style-type: none"> <li>- close-knit group of up to a few hundred people working together; retaining face-to-face communication about personal as well as task issues</li> <li>- each compartment has a clear boundary, a well-understood and shared common purpose and common understanding (McKergow, 28.03.2010)</li> </ul>	Fairtlough (1994)
<b>Heterarchy</b>	<ul style="list-style-type: none"> <li>- close to a network or fishnet</li> <li>- plural connections between the individual members/ plural chains of authority</li> </ul>	Hedlund (1986) Stark (2001)
<b>Individual Corporation</b>	<ul style="list-style-type: none"> <li>- power of an individual as the driver of value creation</li> <li>- philosophy based on purpose, process, and people that focuses on developing the individual's unique skills, which are seen as a company's most important source of competitive advantage (Corporation, 1999)</li> </ul>	(Ghoshal & Bartlett, 1999)
<b>Internal market</b>	<ul style="list-style-type: none"> <li>- flexible markets and internal contracts within an organization</li> </ul>	Malone et al. (1987)
<b>Postmodern organization</b>	<ul style="list-style-type: none"> <li>- bureaucratic organization which has undergone a degree of de-differentiation of its structure</li> <li>- more integrated, less specialist, and more team based</li> </ul>	Clegg (1990)
<b>Network organization</b>	<ul style="list-style-type: none"> <li>- intersecting and cross-cutting linkages between several separate organizations, project based organization</li> <li>- "partners have a more formal and enduring relationship than in the virtual organization, and are not restricted to work on digital data, such as movies, design, etc." (Clegg, Kronberger, &amp; Pitsis, 2009, p. 184)</li> </ul>	Biggart and Hamilton (1992)
<b>Technocracy</b>	<ul style="list-style-type: none"> <li>- structure enabled by technological innovations</li> <li>- people work on a common database from remote locations</li> </ul>	Burris (1993)
<b>Virtual Organization</b>	<ul style="list-style-type: none"> <li>- firm linked through virtual networks rather than formal rules</li> <li>- network relations are virtually enabled, separate skill sets work on the data either in series or in parallel</li> <li>- often involving several separate organizations, project based organization</li> </ul>	Davidow and Malone (1992)

**Table 1: Brief illustration of new organizational forms**

Abut to Clegg, Kronberger, and Pitsis, (2009, p. 184).

Child and McGrath (2001) see the new organizational forms as coping with four core issues: interdependence, disembodiment, velocity, and power. However this paper does not simply want to illustrate new organizational forms but concentrates on the before mentioned power issue and is composed to stress the emergent changes in power relations and control regimes between the conventional and some of the radically new forms.

By writing about *power* it is essential to mention that depending on one's perspective people have different opinions on what power means, and who should have it. Thus following Weber's bureaucratic approach, power is associated with a particular position in a firm's hierarchical structure. This *rational perspective* views managers as rational agents, "deskilling work and setting up measurement systems to control employee performance" (Cunliffe, 2009). Embedded in such a hierarchical position, a manager's right to have *power over*<sup>6</sup> others is unquestionable legitimate<sup>7</sup>. Thus from this perspective power is not depending on a certain person but on a certain position, which "legitimizes the manager (...) to control the actions and behavior of others" (Cunliffe, 2009, p. 90). This authorization of managers to control the behavior of other firm members grasps this paper's understanding on *control regimes*.

One can also view this development from a critical perspective<sup>8</sup>, and thus accept the authority of management defining "our ideological relationship with the world: not necessarily because we are persuaded by their legitimacy, but because we take their form of reasoning as a given truth" (Cunliffe, 2009).

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<sup>6</sup> Riceur (1992) describes *power over* as including deceit, manipulation, domination and physical violence, which destroy respect and lead to suffering. Hierarchical organizations would embody this form of power in many ways.

<sup>7</sup> Weihe (2008) describes how mainstream management literature is concerned about building up power over others, through symbols, signs, and talk.

<sup>8</sup> "From a critical perspective, rational approaches to authority are processes of distinction and consent, and an effect of historical, economic, political, social and therefore ideological forces" (Cunliffe, 2009).

However, viewing the topic from a *social constructionist perspective*<sup>9</sup> means challenging this distribution of power throughout society, and “the right of particular groups (owners, shareholders, managers) to dominate and control others” (Cunliff, 2009, p.88-89).

Fairtlough (2007) sees heterarchy as the complete opposite of hierarchy and with this as an instrument to disperse and balance power with a mutual accountability. Heterarchy includes quasi-democratic processes with voting's by all partners deciding key issues. Clegg, Kronberger, and Pitsis mention that professional service firms, such as law firms would be good examples for Hierarchies since even though these “tend to become more hierarchical as they grow in size, the advantages of partnership continue to be recognized” (Clegg, Kronberger, & Pitsis, 2009, p. 185). Not just Heterarchy, but generally new organizational forms are characterized by their decentralized goal-setting processes, a preference for smaller units, and a relation-ship based horizontal structure, as well as general instead of specialized roles of the workforce. Leaders are not recognized as setting specific objectives, controlling and monitoring, but as guides, providing general guidance (Child & Gunther McGrath, 2001).

*Premium* is an example for firm operating with a new organizational form. On the first glance Premium is a coke and beer producer. On the second glance Premium is actually not producing anything. The firm does not own machines and does not facilitate any office. Everything seems to be maximally outsourced. Premium works with paradoxes. Its maximal outsourcing is been round up by a maximal insourcing. Thus each and any member of the firm's value-added chain<sup>10</sup> is also a close organizational member able to participate in the firm's decision making process, equal to any other organizational member; able to view the

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<sup>9</sup> Sees power as being embedded within social practices and relationships (Weihe, 2008).

<sup>10</sup> Including suppliers, traders, consumers, owners of shops who sell one of Premiums products and people who are simply interested in Premium

firms bank account; able to suggest any new idea; able to criticize and moreover is highly encouraged to do so, by participating in the Premium mailing list, which enables the virtual communication of all members.

Thus similar to the heterarchical form decisions are made in a democratic way. However Premium goes even one step further and thus does not practice a pseudo-democracy but a *consensus democracy* (see Premium, 2010a). By searching for an alternative to the conventional bureaucracy the *Premium Operating System*<sup>11</sup> (see Premium, 2010b) shows characteristics of new organizational forms. Power is distributed over the whole collective. Since the collective communicates with each other via a mailing list usual routines of hierarchy are destabilized. The organizational structure is enabled by new technologies. People work virtually from remote locations. Members manage themselves and do not report to their manager but to their peers. In this terms “management becomes the art of facilitating [an] organization that can reorganize itself” (Stark, 2001, p.10). Thus control regimes are not legitimized. Since this leads to a situation in which power-over and control regimes are not legitimized at all, Premium seems to be an example with extreme characteristics.

However, Premium does not fulfill all characteristics of a heterarchy<sup>12</sup> but shows characteristics (see Table 1) of a clan, in terms of a *shared culture* which is stronger than the need for formal rules and thus leads to a firm policy in which written agreements/contracts are redundant (Ouchi, 1980). The question on how trust is developed in such a virtual acting, contactless organization can also be answered by referring to the clan culture. Thus potential

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<sup>11</sup> Premiums members are called the *collective* they call their organizational form an *operating system* (German: Betriebssystem) because they operate their system, which consist of a hardware (bottles, machines, trucks) and a theoretical software which is consistently being refined by the collective. Premium encourages people to copy their operating system by giving a detailed description on how Premium works on their *Premium-Wiki*. (Premium, 2010b)

<sup>12</sup> In terms of diversity Premium seems to be similar to a clan form.

Premium members have to be known by at least one other already existing member. Thus the collective makes sure that the new member is already informed about the organization by entering into the mailing list, that information send over the list are not directly being send to the concurrence and that the new member is *correct* in his own way. Hereby the mission to proof that ethical behavior and business can exist in harmony and lead to profits is the connecting motivator for all members of the collective. Since Premium communicates through virtual media and does not just consist out of one firm but is basically the composition of different individuals and firms sharing the same ideology through a network one can also find characteristics of virtual organizations, Networks, and technocracy as well. Thus Premium does thus seem to be a comprehensive example for new organizational forms generally and a heterarchical form in particular.

„Good managers do what makes sense, and what makes sense is primarily shaped by their value network” (Christensen, 2006, p. 48).

Marx argued that workers participate in their own exploitation by accepting an manager`s right to give orders. The concept of hegemony claims that this happens because “institutional and ideological values, and the structures, systems and practices” that support them, become part of one`s “everyday taken-for-granted activities, and so influence us throughout our life in subtle and incessant ways – they become *normal* to us” (Clegg, Kronberger, & Pitsis, 2009, p. 91). Thus putting power-over others in a hierarchical structure can be seen as a logical step. Assuming that one does what he/she thinks is right, considering that *right* is shaped by a value system which changed from a slave holder society to a corporate manager society<sup>13</sup>.

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<sup>13</sup> “(...) we have evolved in the United States from a slave master society to a corporate manager society...the law enables institutions to deny the rights of the many. That`s not called democracy in my book” Richard Grossman, Speech on Democracy (Achbar, Abbott, & Bakan, 2005).

However scholars today do increasingly report the emergence of new organizational forms with shifted power relations (see Stark & Girard, 2003; Clegg, Kronberger, & Pitsis, 2009; Cunliffe, 2009; DeSanctis & Monge, 1999). Interestingly, new forms emerged nearly by the same time as the environment changed to a more information intensive one. One could now argue that this is the case because of emerging high-tech firms which required a different form of working than conventional firms, or that the new information communications technologies finally enable firms to develop new forms away from the bureaucratic one. However one could also argue that the distribution of the WEB 2.0., which enabled users to become creators, would have changed the value systems of our society to a part and thus still continues to strengthen peoples wish to participate in workplace decision making. In the end all three arguments might be relevant in observing reality. However at least in the case of Premium, the operating system would not be existion today without sufficient technologies (Luebbermann, 2010).

It is not likely that bureaucracy will be replaced by new organizational forms, soon. However one can already find some very radical and *successful*<sup>14</sup> new forms of organizing business. Zarpnick (2005) mentioned in a speech on Challenging Patriarchy that “CSR is an oxy moral it’s a contradiction in terms. (...) [Corporations] are not set up to be responsible, they are legal fictions, a form. Human beings are responsible, we are responsible, including for the entities we create supposing to serve us” (Achbar, Abbott, & Bakan, 2005).

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<sup>14</sup> Today Premium has been existant for eight years; it has more than 270 collectivists; Bottles sold in 2007: 202.000, 2008: 312.000, 2009: 492.000.

Summing up this paper claims that firms should try to evolve independently from corporate history onto a future led by the values of people. The word “*people*” implies a plurality of individuals and excludes single persons or groups seeking for power over others. Today firms do have the possibility to manage a plurality of thoughts and ideas through using new information and communication technologies. Considering competitive advantages of firms (for example in terms of idea management) and ethical developments in our society (people wanting to create, participate) this paper encourages firms to strive for new approaches. The future will show what influence the information intensive environment as well as further developed information and communication technologies will have on society’s understanding of a workplace and the evolution of prospective organizational forms. Further research could concentrate on empirically proving and accessing the relationship between the further development of the information intensive environment, new ICTs and new organizational forms.



**System change you can drink.**

(Premium, 2010b)

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