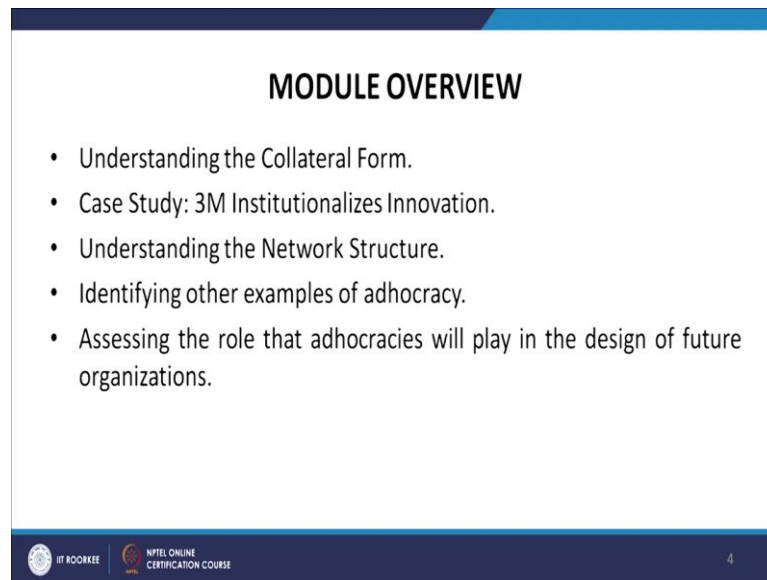


**Organization Theory/Structure and Design**  
**Prof. Zillur Rahman**  
**Department of Management Studies**  
**Indian Institute of Technology, Roorkee**

**Lecture - 30**  
**Adhocracy - II**

Welcome to module 30 of this course on Organization Theory Structure and Design and as you can see here in the slide, this is the last slide in Adhocracy as well as in the part 3. So, these are the things that will cover in this module, understanding the collateral form, then we will discuss a case study of 3M- how it institutionalizes innovation.

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The slide is titled "MODULE OVERVIEW" in bold black text. Below the title is a bulleted list of five items: "Understanding the Collateral Form.", "Case Study: 3M Institutionalizes Innovation.", "Understanding the Network Structure.", "Identifying other examples of adhocracy.", and "Assessing the role that adhocracies will play in the design of future organizations." The slide has a dark blue header and footer. The footer contains the IIT Roorkee logo, the text "IIT ROORKEE", the NPTEL logo, the text "NPTEL ONLINE CERTIFICATION COURSE", and the number "4".

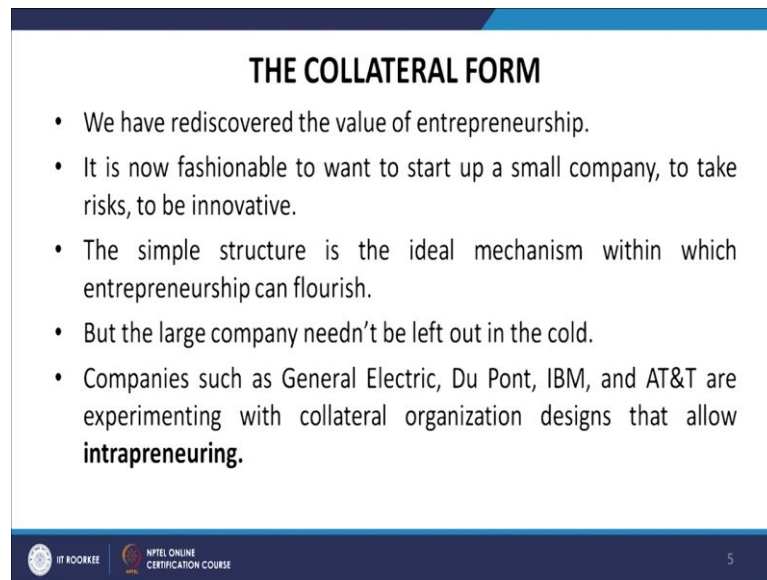
**MODULE OVERVIEW**

- Understanding the Collateral Form.
- Case Study: 3M Institutionalizes Innovation.
- Understanding the Network Structure.
- Identifying other examples of adhocracy.
- Assessing the role that adhocracies will play in the design of future organizations.

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Then we will understand the network structure, identify other examples of adhocracy and assessing the role that adhocracies will play in the design of future organizations.

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**THE COLLATERAL FORM**

- We have rediscovered the value of entrepreneurship.
- It is now fashionable to want to start up a small company, to take risks, to be innovative.
- The simple structure is the ideal mechanism within which entrepreneurship can flourish.
- But the large company needn't be left out in the cold.
- Companies such as General Electric, Du Pont, IBM, and AT&T are experimenting with collateral organization designs that allow **intrapreneuring**.

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So, now let us look at the collateral form. We have rediscovered the value of entrepreneurship. It is now fashionable to want to start up a small company, to take risks and to be innovative. The simple structure is the ideal mechanism within which entrepreneurs can flourish.

But the large companies need not be left out in the cold. Companies such as General Electric, Du Pont, IBM and AT and T are experimenting with collateral organization designs that allow intrapreneuring. That is, creating the spirit and rewards of entrepreneurship within or alongside a large bureaucracy.

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### THE COLLATERAL FORM

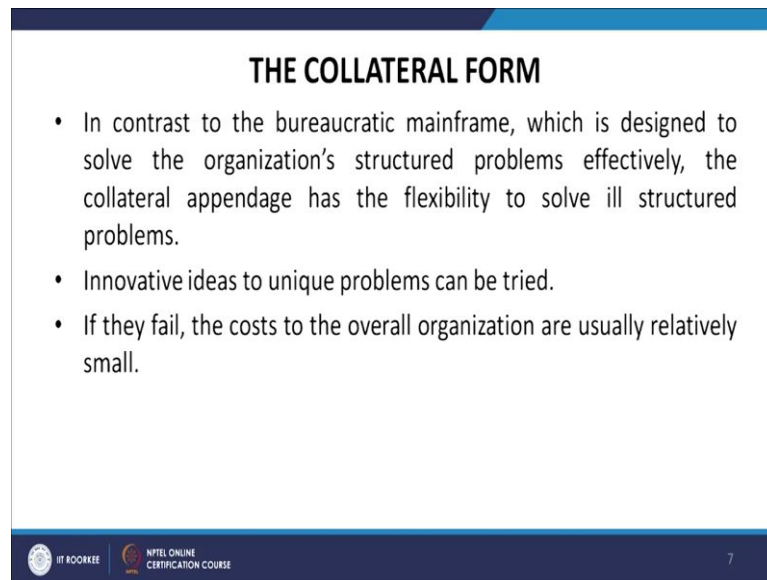
- That is, creating the spirit and rewards of entrepreneurship within or alongside a large bureaucracy.
- The collateral form is a loosely structured organic appendage designed to coexist side by side with a bureaucracy on a relatively permanent basis.
- They are typically small teams or separate business units that are given the independence and resources to experiment.
- They can pursue their own ideas without the rules, time consuming analysis, and approvals from multiple levels of management that are required in bureaucracies.

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The collateral form is a loosely structured organic appendage design to coexist side by side with the bureaucracy on a relatively permanent basis. They are typically small teams or separate business units that are given the independence and resources to experiment.

They can pursue their own ideas without the rules, time consuming analysis, and approvals from multiple levels of management that are required in bureaucracies. In contrast to the bureaucratic main frame which is designed to solve the organization's structured problems effectively, the collateral appendage has the flexibility to solve ill structured problems.

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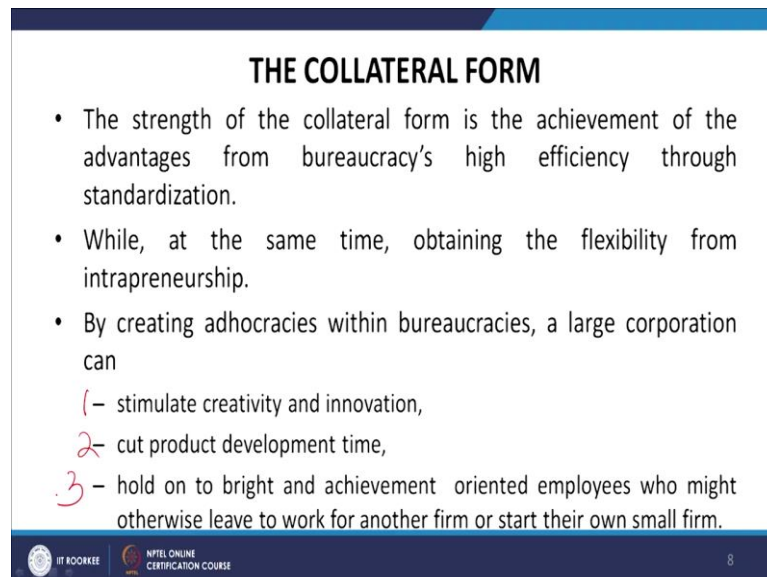
**THE COLLATERAL FORM**

- In contrast to the bureaucratic mainframe, which is designed to solve the organization's structured problems effectively, the collateral appendage has the flexibility to solve ill structured problems.
- Innovative ideas to unique problems can be tried.
- If they fail, the costs to the overall organization are usually relatively small.

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Innovative ideas to unique problems can be tried. If they fail, the costs to the overall organizations are usually relatively small. Strength of the collateral form is the achievement of the advantages from bureaucracy's high efficiency through standardization while, at the same time obtaining the flexibility from intrapreneurship.

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**THE COLLATERAL FORM**

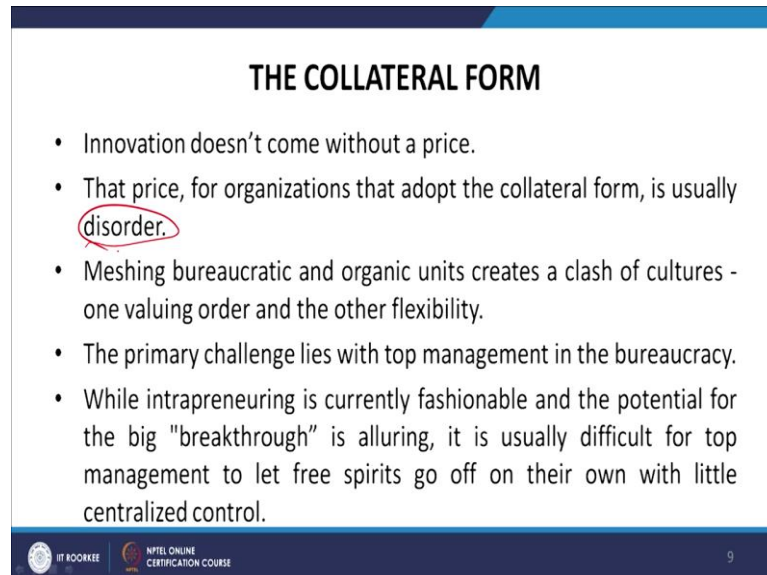
- The strength of the collateral form is the achievement of the advantages from bureaucracy's high efficiency through standardization.
- While, at the same time, obtaining the flexibility from intrapreneurship.
- By creating adhocracies within bureaucracies, a large corporation can
  - 1- stimulate creativity and innovation,
  - 2- cut product development time,
  - 3- hold on to bright and achievement oriented employees who might otherwise leave to work for another firm or start their own small firm.

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By creating adhocracies within bureaucracies, a large corporation can; 1- stimulate creativity and innovation, 2- cut product development time, and 3- hold onto bright and achievement-oriented employees who might otherwise leave to work for another firm or

start their own small firm. Innovation does not come without a price. That price for organization that adopts the collateral form, is usually disorder.

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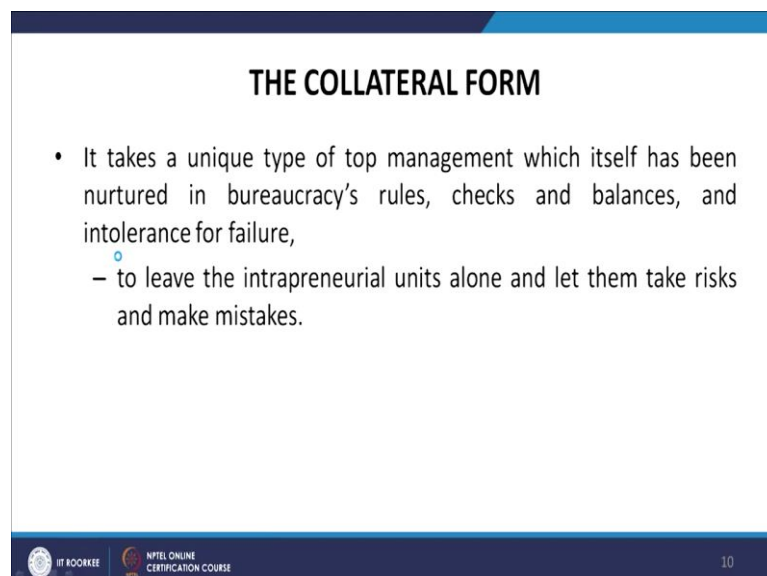
**THE COLLATERAL FORM**

- Innovation doesn't come without a price.
- That price, for organizations that adopt the collateral form, is usually disorder.
- Meshing bureaucratic and organic units creates a clash of cultures - one valuing order and the other flexibility.
- The primary challenge lies with top management in the bureaucracy.
- While intrapreneuring is currently fashionable and the potential for the big "breakthrough" is alluring, it is usually difficult for top management to let free spirits go off on their own with little centralized control.

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So, this is the price. Meshing bureaucratic and organic units create clash of cultures, one valuing order and the other flexibility. The primary challenge lies with top management to in the bureaucracy. While intrapreneuring is currently fashionable and the potential for the big “breakthrough” is alluring, it is usually difficult for top management to let free spirits go off on their own with little centralized control.

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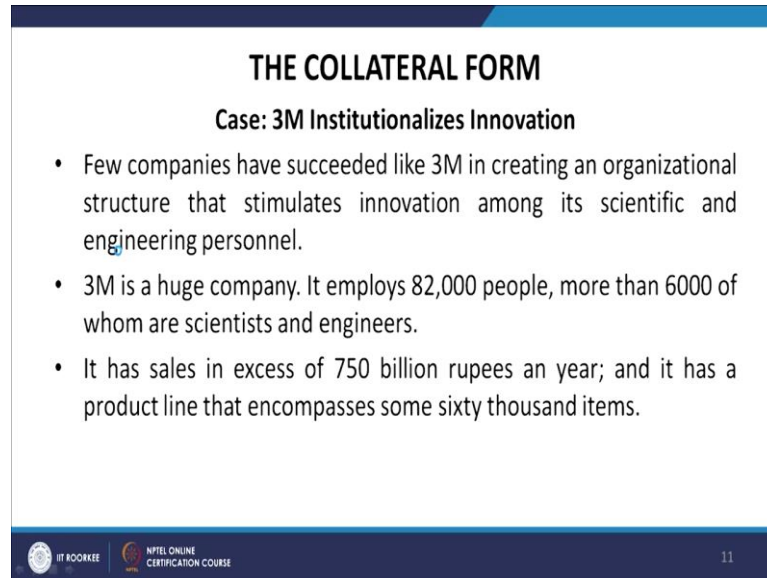
**THE COLLATERAL FORM**

- It takes a unique type of top management which itself has been nurtured in bureaucracy's rules, checks and balances, and intolerance for failure,
  - to leave the intrapreneurial units alone and let them take risks and make mistakes.

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It takes a unique type of top management which itself has been nurtured in bureaucracy's rules, checks and balances, and intolerance for failure, to leave the intrapreneurial units alone and let them take risk and make mistakes.

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**THE COLLATERAL FORM**

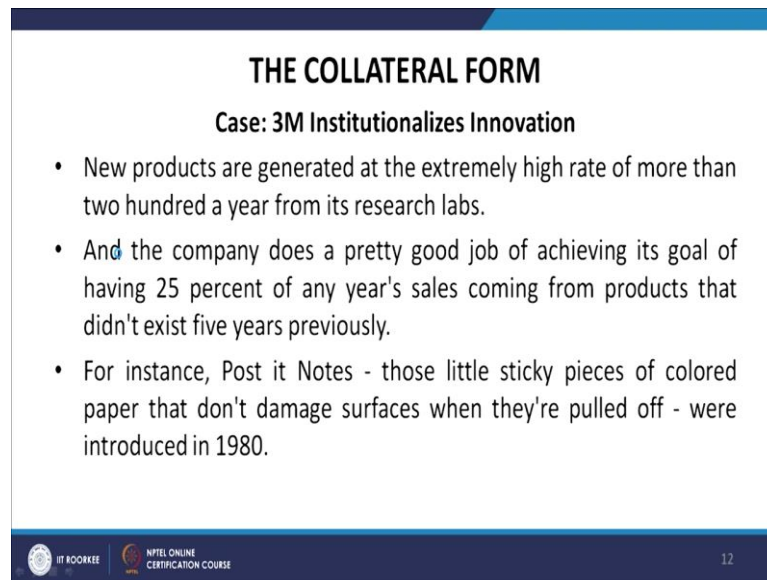
**Case: 3M Institutionalizes Innovation**

- Few companies have succeeded like 3M in creating an organizational structure that stimulates innovation among its scientific and engineering personnel.
- 3M is a huge company. It employs 82,000 people, more than 6000 of whom are scientists and engineers.
- It has sales in excess of 750 billion rupees an year; and it has a product line that encompasses some sixty thousand items.

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Now, we will look at how 3M institutionalizes innovation. Few companies have succeeded like 3M in creating an organizational structure that stimulates innovation among its scientific and engineering personnel. 3M is a huge company. It employs 82,000 people, more than 6000 of whom are scientists and engineers. It has sales in excess of 750 billion rupees a year; and it has a product line that encompasses some sixty thousand items.

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**THE COLLATERAL FORM**

**Case: 3M Institutionalizes Innovation**

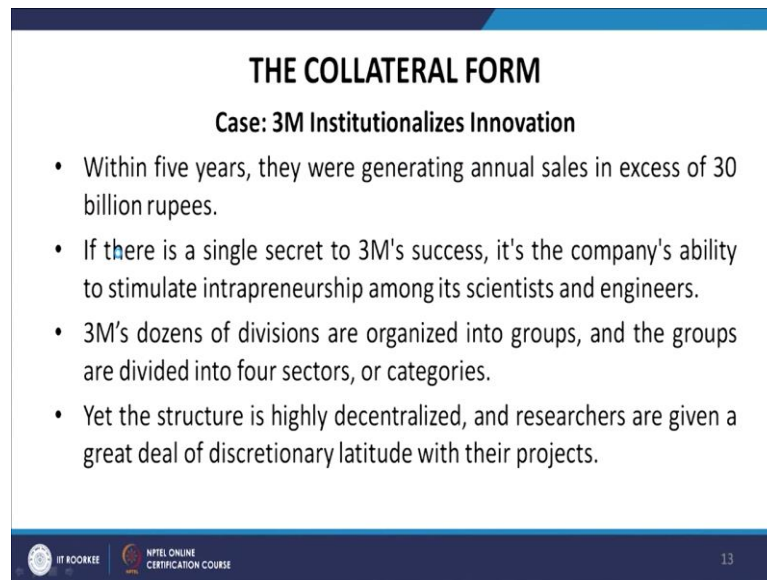
- New products are generated at the extremely high rate of more than two hundred a year from its research labs.
- And the company does a pretty good job of achieving its goal of having 25 percent of any year's sales coming from products that didn't exist five years previously.
- For instance, Post it Notes - those little sticky pieces of colored paper that don't damage surfaces when they're pulled off - were introduced in 1980.

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New products are generated at the extremely high rate of more than two hundred a year from its research labs and the company does a pretty good job of achieving its goals of having 25 percent off any year's sales coming from products that did not existed five years previously. For instance, Post it Notes - those little sticky pieces of colored papers, that do not damage surfaces when they are pulled off - were introduced in 1980.

Within five years, they were generating annual sales in excess of 30 billion rupees. If there is a single secret of 3M success, it is the company's ability to stimulate intrapreneurship among its scientists and engineers. 3M's dozens of divisions are organized into groups, and the groups are divided into four sectors, or categories.

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**THE COLLATERAL FORM**

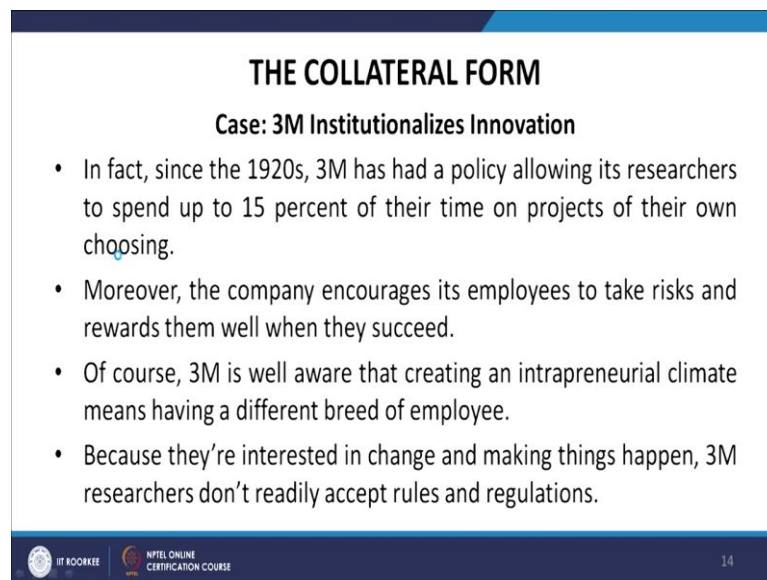
**Case: 3M Institutionalizes Innovation**

- Within five years, they were generating annual sales in excess of 30 billion rupees.
- If there is a single secret to 3M's success, it's the company's ability to stimulate intrapreneurship among its scientists and engineers.
- 3M's dozens of divisions are organized into groups, and the groups are divided into four sectors, or categories.
- Yet the structure is highly decentralized, and researchers are given a great deal of discretionary latitude with their projects.

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Yet, the structure is highly decentralized, and researchers are given a great deal of discretionary latitude with their projects.

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**THE COLLATERAL FORM**

**Case: 3M Institutionalizes Innovation**

- In fact, since the 1920s, 3M has had a policy allowing its researchers to spend up to 15 percent of their time on projects of their own choosing.
- Moreover, the company encourages its employees to take risks and rewards them well when they succeed.
- Of course, 3M is well aware that creating an intrapreneurial climate means having a different breed of employee.
- Because they're interested in change and making things happen, 3M researchers don't readily accept rules and regulations.

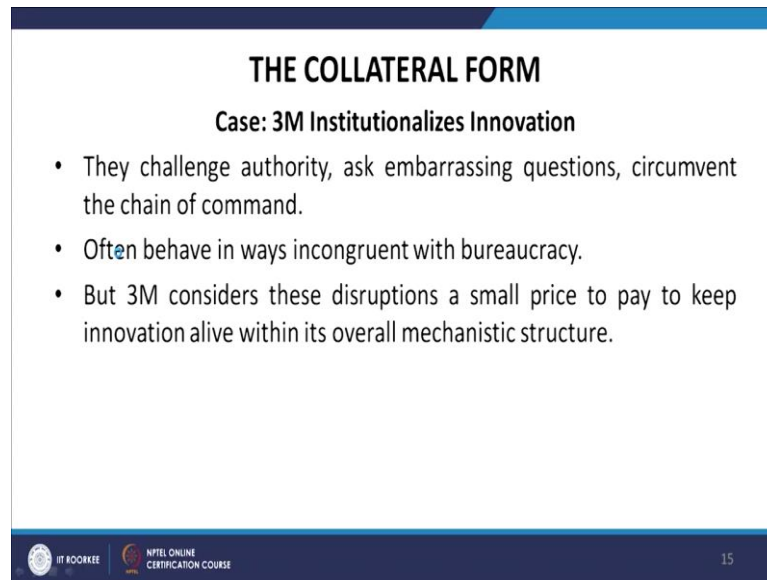
IT ROOKIE NPTEL ONLINE CERTIFICATION COURSE 14

In fact, since 1920's 3M has had a policy allowing its researchers to spend up to 15 percent of the time on projects of their own choosing. Moreover, the company encourages its employees to take risks and rewards them well when they succeed.



Of course, 3M is well aware that creating an intrapreneurial climate means having a different breed of employees. Because they are interested in change and making things happen, 3M researchers do not really accept rules and regulations.

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**THE COLLATERAL FORM**

**Case: 3M Institutionalizes Innovation**

- They challenge authority, ask embarrassing questions, circumvent the chain of command.
- Often behave in ways incongruent with bureaucracy.
- But 3M considers these disruptions a small price to pay to keep innovation alive within its overall mechanistic structure.

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They challenge authority, ask embarrassing questions, circumvent the chain of command, often behave in ways incongruent with bureaucracy. But, 3 M considers these disruptions are small price to pay to keep innovation alive within its overall mechanistic structure.

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**THE NETWORK STRUCTURE**

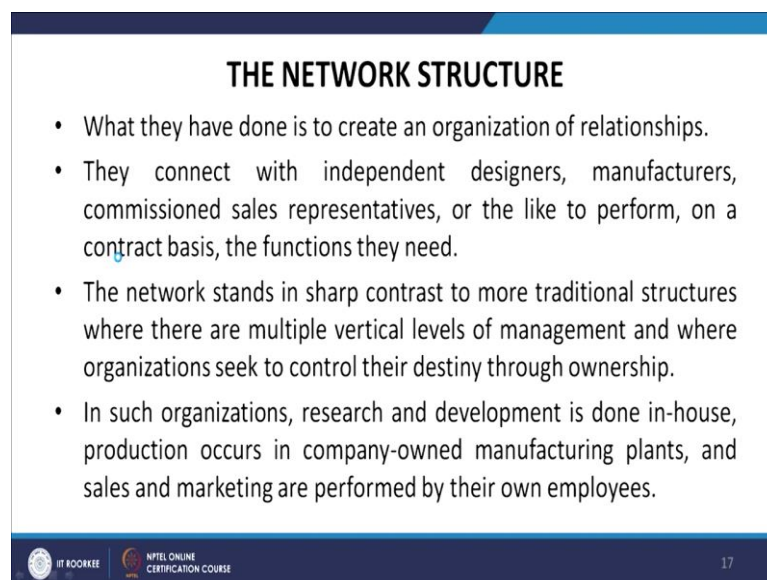
- A new form of organization design is currently gaining popularity.
- It allows management great flexibility in responding to new technology, fashion, or low-cost foreign competition.
- It is the **network structure**, a small central organization that relies on other organizations to perform manufacturing, distribution, marketing, or other crucial business functions on a contract basis.
- Some very large companies such as Nike, have found that:
  - they can sell hundreds of millions of dollars of products every year and earn a very competitive return with
  - few or no manufacturing facilities of their own and only a few hundred employees.

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The next type of structure is the network structure, a new form of organization design which is currently gaining popularity. It allows management greater flexibility in responding to new technology, fashion or low-cost foreign competition. It is the network structure, a small central organization that relies on other organizations to perform manufacturing, distribution, marketing, or other crucial business functions on a contract basis.

Some very large companies such as Nike, have found that: they can sell hundreds of millions of dollars of products every year and earn a very competitive return with, few or no manufacturing facilities of their own and only a few hundred employees.

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**THE NETWORK STRUCTURE**

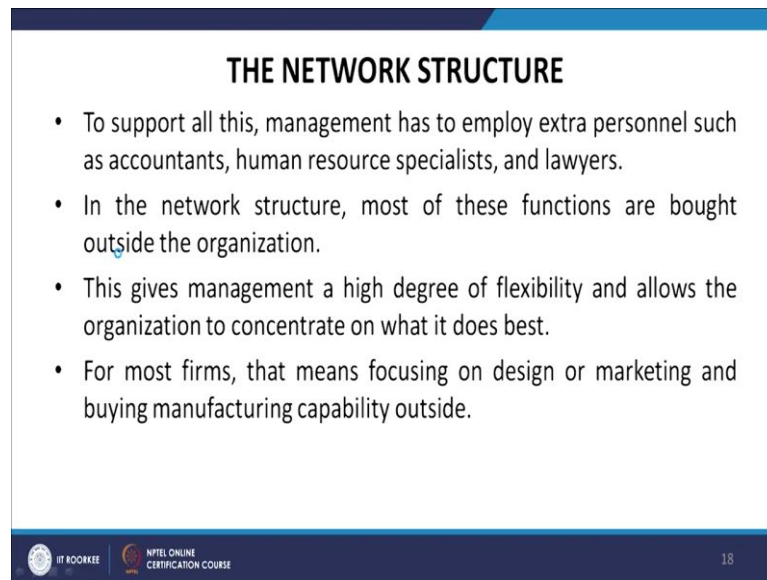
- What they have done is to create an organization of relationships.
- They connect with independent designers, manufacturers, commissioned sales representatives, or the like to perform, on a contract basis, the functions they need.
- The network stands in sharp contrast to more traditional structures where there are multiple vertical levels of management and where organizations seek to control their destiny through ownership.
- In such organizations, research and development is done in-house, production occurs in company-owned manufacturing plants, and sales and marketing are performed by their own employees.

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What they have done is to create an organization of relationships. They connect with independent designers, manufacturers, commissioned sales representatives, or the like to perform, on a contract basis, the functions they need. The network stands in sharp contrast to more traditional structures where there are multiple vertical lines of management and where organization seeks to control their destiny through ownership.

In such organizations, research and development is done in-house, production occurs in company-owned manufacturing plants, and sales and marketing are performed by their own employees.

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**THE NETWORK STRUCTURE**

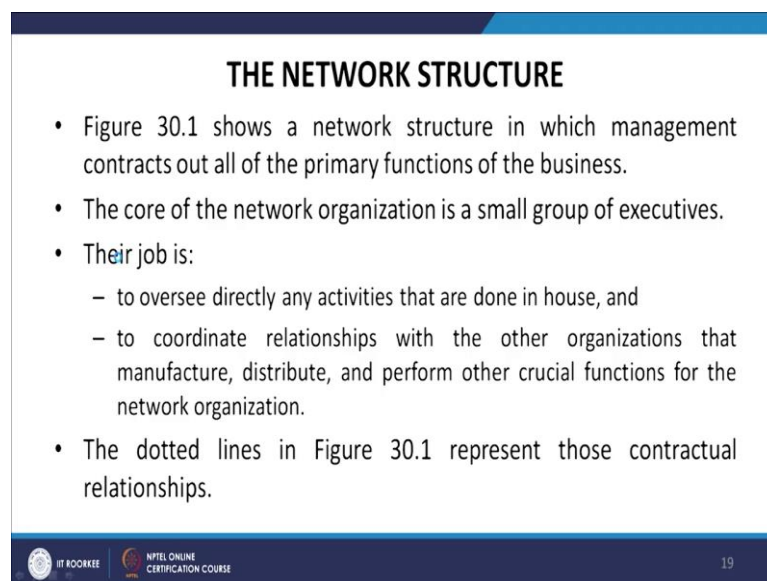
- To support all this, management has to employ extra personnel such as accountants, human resource specialists, and lawyers.
- In the network structure, most of these functions are bought outside the organization.
- This gives management a high degree of flexibility and allows the organization to concentrate on what it does best.
- For most firms, that means focusing on design or marketing and buying manufacturing capability outside.

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To support all these, management has to employ extra personnel such as accountants, human resources specialists, and lawyers. In the network structure, most of these functions are bought outside the organization.

This gives management a high degree of flexibility and allows the organization to concentrate on what it does best. For most firms, that means, focusing on design of marketing and buying manufacturing capability outside.

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**THE NETWORK STRUCTURE**

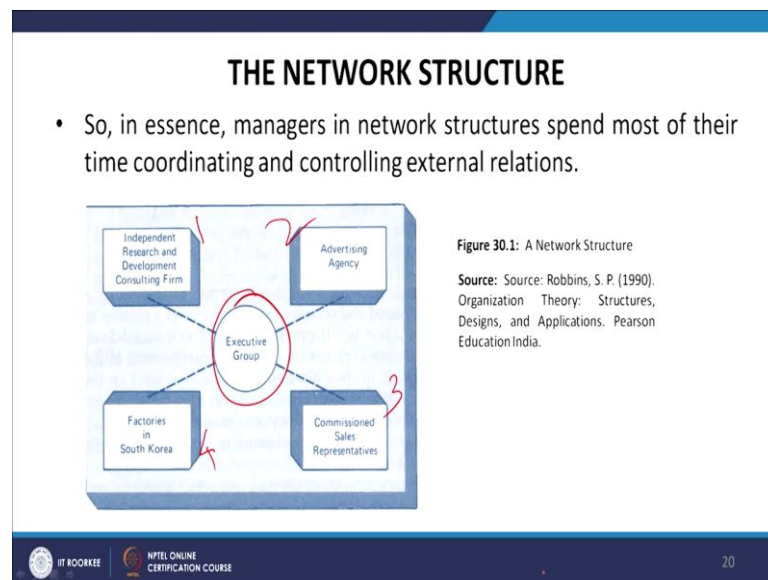
- Figure 30.1 shows a network structure in which management contracts out all of the primary functions of the business.
- The core of the network organization is a small group of executives.
- Their job is:
  - to oversee directly any activities that are done in house, and
  - to coordinate relationships with the other organizations that manufacture, distribute, and perform other crucial functions for the network organization.
- The dotted lines in Figure 30.1 represent those contractual relationships.

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Figure 30.1 shows a network structure in which management contract out all of the primary functions of the business. The core of the network organization is a small group of executives and their job is to oversee directly any activities that are done in house, and to coordinate relationships with the other organizations that manufacture, distribute, and perform other crucial functions for the network organization.

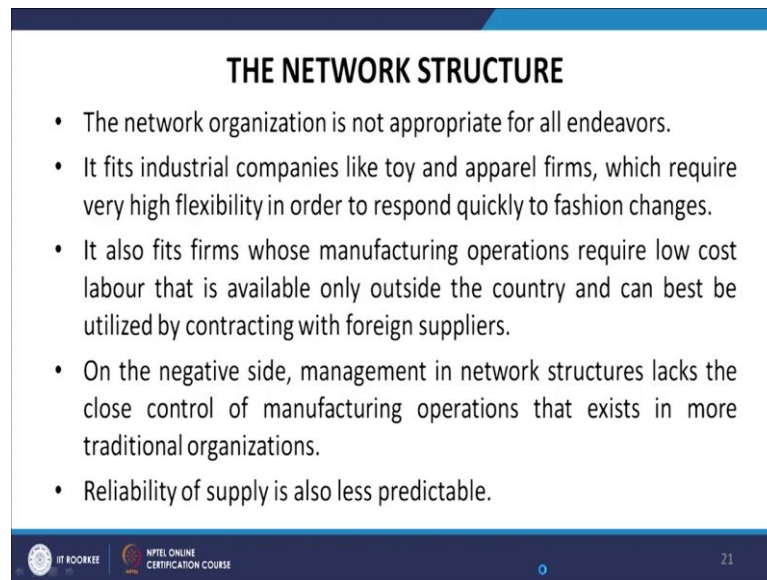
The dotted lines in figure 30.1 represents those contractual relationships. So, in a sense, managers in network structures spend most of their time coordinating and controlling external relations. So, this is figure 30.1 and it shows a network structure.

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Now, you see that in between is the executive group, then there are independent research and development consulting firms, there are advertising agencies, then there are commissioned sales representatives, and then there are factories in South Korea. Now, all these are being coordinated by this executive group.

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**THE NETWORK STRUCTURE**

- The network organization is not appropriate for all endeavors.
- It fits industrial companies like toy and apparel firms, which require very high flexibility in order to respond quickly to fashion changes.
- It also fits firms whose manufacturing operations require low cost labour that is available only outside the country and can best be utilized by contracting with foreign suppliers.
- On the negative side, management in network structures lacks the close control of manufacturing operations that exists in more traditional organizations.
- Reliability of supply is also less predictable.

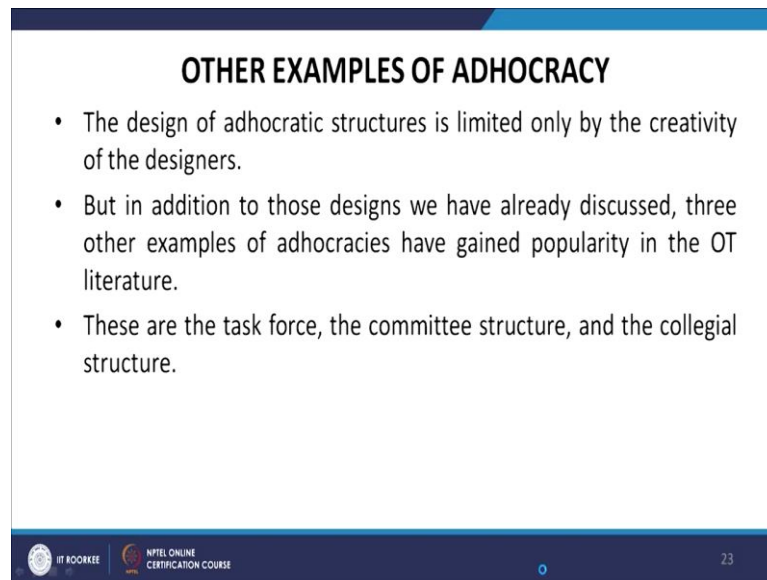
IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 21

The network organization is not appropriate for all endeavors. It fits industrial companies like toy and apparel firms, which requires very high flexibility in order to respond quickly to fashion changes. It also fits firms whose manufacturing operations requires low cost labour that is available only outside the country and can best be utilized by contracting with foreign suppliers.

On the negative side, management and network structures lack the close control of manufacturing operations that exist in more traditional organizations. Reliability of supply is also less predictable. Finally, any innovation in design that a network organization acquires is susceptible to being ripped off.

It is very difficult, if not impossible to closely guard innovations that are under the discretion of management in another organization. Yet, with computers in one organization, now interacting and communicating with computers in other organizations, the network structure is becoming an increasingly viable alternative. Now, we will look at some other examples of adhocracy.

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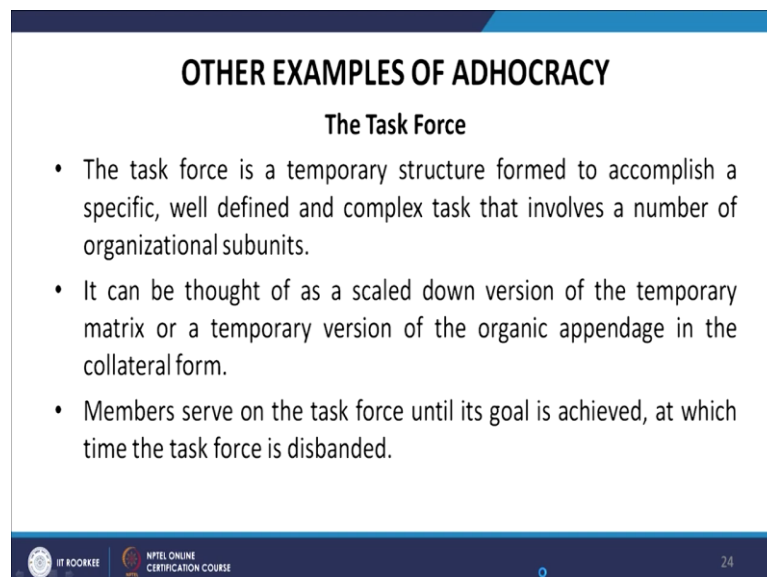
**OTHER EXAMPLES OF ADHOCRACY**

- The design of adhocratic structures is limited only by the creativity of the designers.
- But in addition to those designs we have already discussed, three other examples of adhocracies have gained popularity in the OT literature.
- These are the task force, the committee structure, and the collegial structure.

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The design of adhocratic structures is limited only by the creativity of the designers. But, in addition to those designs we have already discussed, three other examples of adhocracies have gained popularity in the organization theory literature. These are the task force, the committee structure, and the collegial structure.

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**OTHER EXAMPLES OF ADHOCRACY**

**The Task Force**

- The task force is a temporary structure formed to accomplish a specific, well defined and complex task that involves a number of organizational subunits.
- It can be thought of as a scaled down version of the temporary matrix or a temporary version of the organic appendage in the collateral form.
- Members serve on the task force until its goal is achieved, at which time the task force is disbanded.

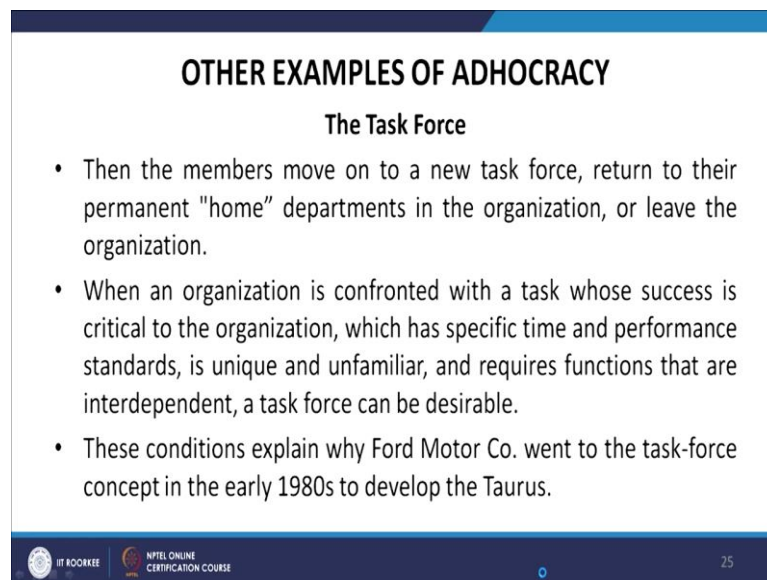
IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 24

Now, we will look at this task force. The task force is a temporary structure, formed to accomplish a specific, well defined and complex task that involves a number of organizational subunits. It can be thought of as a scaled down version of temporary

matrix or a temporary version of the organic appendage in the collateral form. Members serve on the task force until its goal is achieved, at which time the task force is disbanded.

Then, the members move on to the new task force, return to their permanent “home” departments in the organization, or leave the organization. When an organization is confronted with the task whose success is critical to the organization, which has specific time and performance standards, is unique and unfamiliar, and requires functions that are interdependent, a task force can be desirable.

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**OTHER EXAMPLES OF ADHOCRACY**

**The Task Force**

- Then the members move on to a new task force, return to their permanent "home" departments in the organization, or leave the organization.
- When an organization is confronted with a task whose success is critical to the organization, which has specific time and performance standards, is unique and unfamiliar, and requires functions that are interdependent, a task force can be desirable.
- These conditions explain why Ford Motor Co. went to the task-force concept in the early 1980s to develop the Taurus.

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These conditions explain why Ford Motor Company went to the task-force concept in the early 80s to develop the Taurus.



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## OTHER EXAMPLES OF ADHOCRACY

### The Task Force

- Dubbed “Team Taurus,” this task force took a completely different approach than traditionally followed in the U.S. auto industry.
- In the past, Ford had developed their cars sequentially:
  - first design drew it, then engineering made it work, then manufacturing figured out how to build it, and finally, service looked for some way to fix it.
- Every time the job was handed to the next department, the next unit discovered something they didn’t like and made changes.

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Dubbed as “Team Taurus,” this task force took a completely different approach than traditionally followed in the U. S. auto industry. In the past, Ford had developed their cars sequentially: first design drew them, then engineers made it work, then manufacturing figured out how to build it and finally, service looked for some ways to fix it.

Every time the job was handed to the next department and, the next unit discovered something that did not like and made changes.

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## OTHER EXAMPLES OF ADHOCRACY

### The Task Force

- This lack of coordination tended to produce defective cars, with each department blaming the others for any problems that surfaced.
- Team Taurus included representatives from all the various unit planning, design, engineering, advertising, public relations, manufacturing and even outside suppliers that made incidental parts.
- They worked together, from the beginning, to create a car that could compete head on, in terms of quality and design, with the best from Japan and Europe.

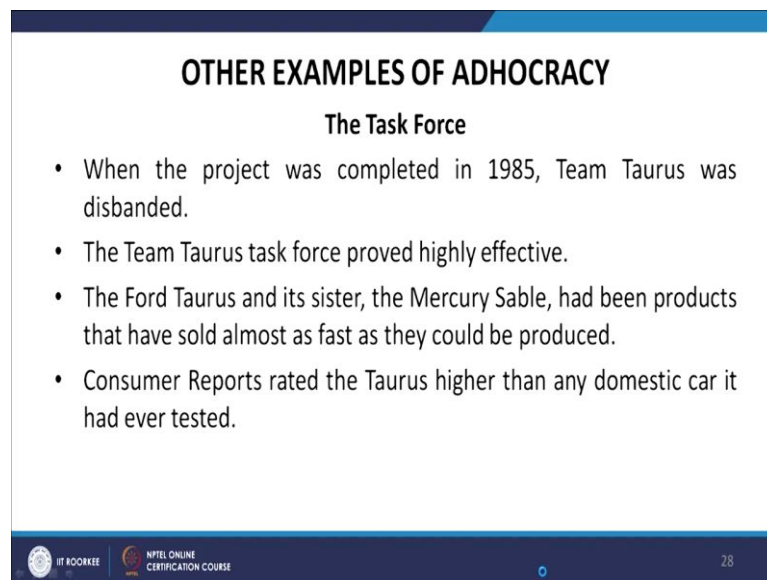
IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 27



This lack of coordination tended to produce defective cars, with each department blaming the others for any problems that surfaced.

Team Taurus included representatives from all the various units, planning, design, engineering, advertising, public relations, manufacturing and even outside suppliers that made incidental parts. They work together, from the beginning, to create a car that could compete head on, in terms of quality and design, with the best from Japan and Europe.

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**OTHER EXAMPLES OF ADHOCRACY**

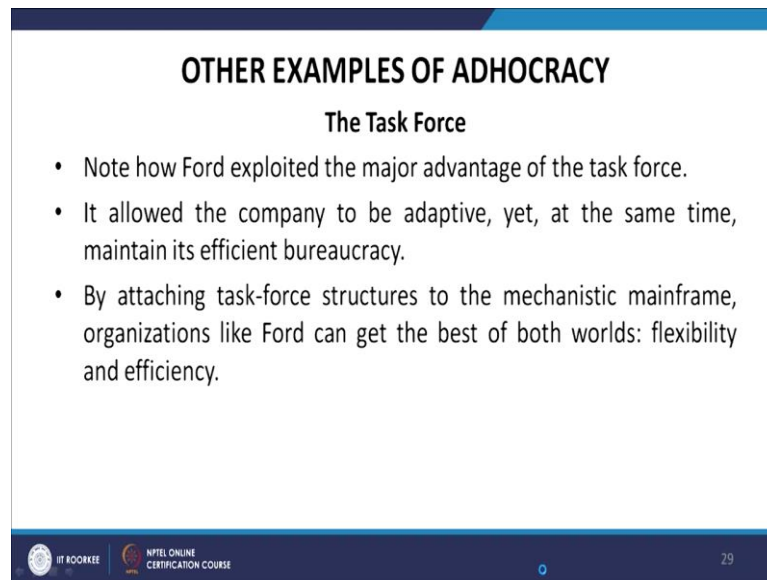
**The Task Force**

- When the project was completed in 1985, Team Taurus was disbanded.
- The Team Taurus task force proved highly effective.
- The Ford Taurus and its sister, the Mercury Sable, had been products that have sold almost as fast as they could be produced.
- Consumer Reports rated the Taurus higher than any domestic car it had ever tested.

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When the project was completed in 1985, team Taurus was disbanded. The Team Taurus task force proved highly effective. The Ford, Taurus and its sister, the Mercury Sable had been products that have sold almost as fast as they could be produced. Consumer reports rated the Taurus higher than any domestic car it had ever tested.

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**OTHER EXAMPLES OF ADHOCRACY**

**The Task Force**

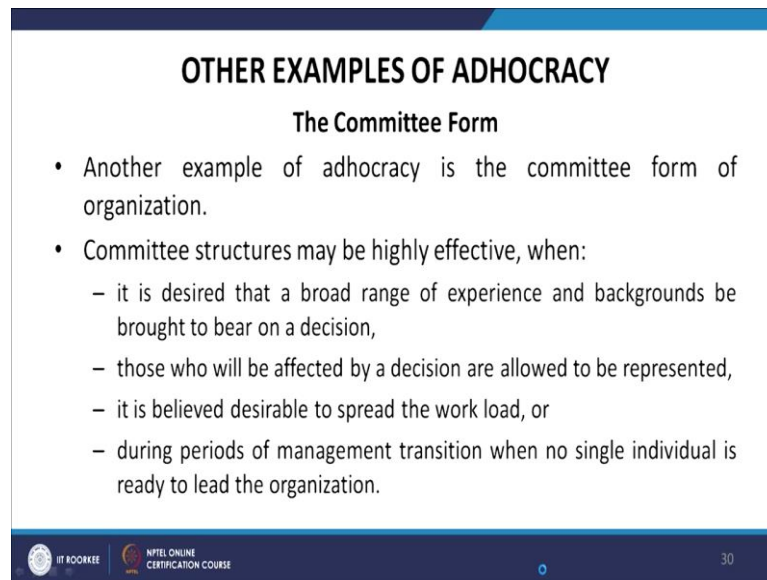
- Note how Ford exploited the major advantage of the task force.
- It allowed the company to be adaptive, yet, at the same time, maintain its efficient bureaucracy.
- By attaching task-force structures to the mechanistic mainframe, organizations like Ford can get the best of both worlds: flexibility and efficiency.

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Note that Ford exploited the major advantages of the task force. It allowed the company to be adaptive, yet, at the same time, maintain its efficient bureaucracy. By attaching task-force structure to the mechanistic mainframe, organizations like Ford can get the best of both worlds: flexibility and efficiency.

The next type of adhocracy is the committee form. Another example of adhocracy is the committee form of organization. Committee structures may be highly effective, when: it is desired that a broad range of experience and backgrounds be brought to bear on a decision.

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**OTHER EXAMPLES OF ADHOCRACY**

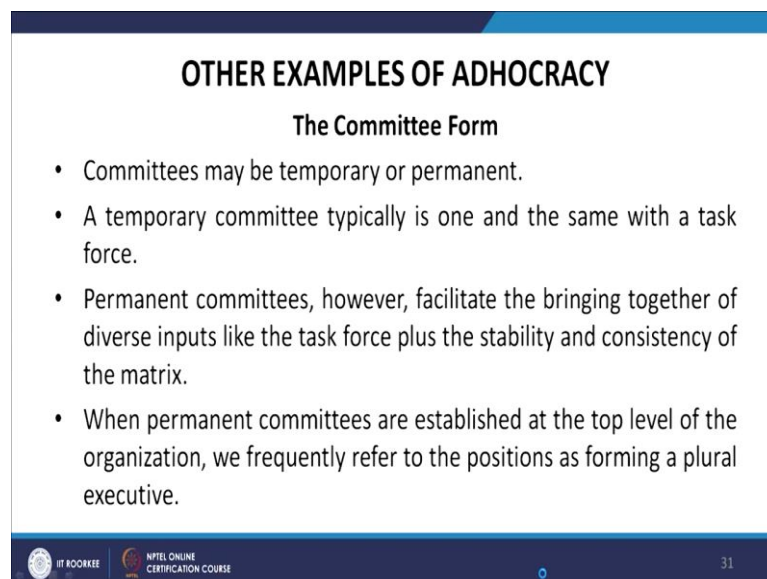
**The Committee Form**

- Another example of adhocracy is the committee form of organization.
- Committee structures may be highly effective, when:
  - it is desired that a broad range of experience and backgrounds be brought to bear on a decision,
  - those who will be affected by a decision are allowed to be represented,
  - it is believed desirable to spread the work load, or
  - during periods of management transition when no single individual is ready to lead the organization.

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Those who will be affected by a decision are allowed to be represented, it is believed desirable to spread the workload, or during periods of management transition when no single individual is ready to lead the organization.

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**OTHER EXAMPLES OF ADHOCRACY**

**The Committee Form**

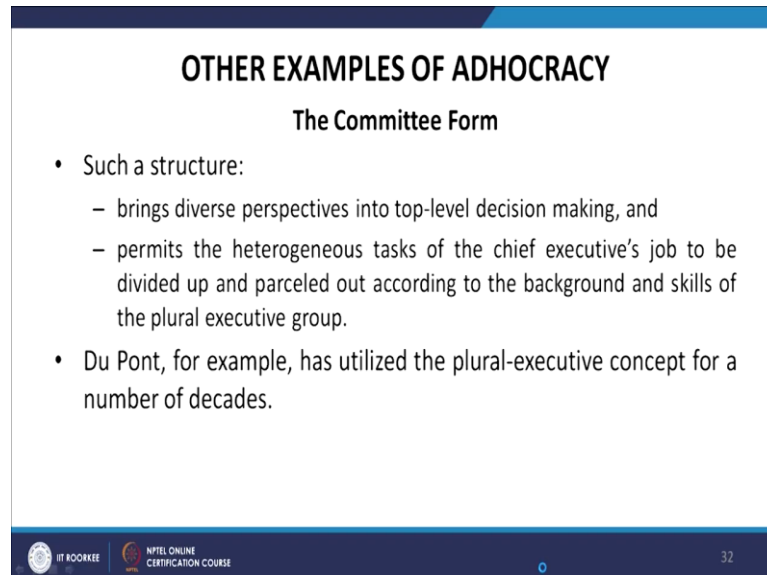
- Committees may be temporary or permanent.
- A temporary committee typically is one and the same with a task force.
- Permanent committees, however, facilitate the bringing together of diverse inputs like the task force plus the stability and consistency of the matrix.
- When permanent committees are established at the top level of the organization, we frequently refer to the positions as forming a plural executive.

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Committees can be temporary or permanent. The temporary committee typically is one and the same with a task force. The permanent committees, however, facilities the bringing together of diverse inputs like the task force plus the stability and consistency of

the matrix. When permanent committees are established at the top level of the organization, we frequently referred to the positions as forming a plural executive.

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**OTHER EXAMPLES OF ADHOCRACY**

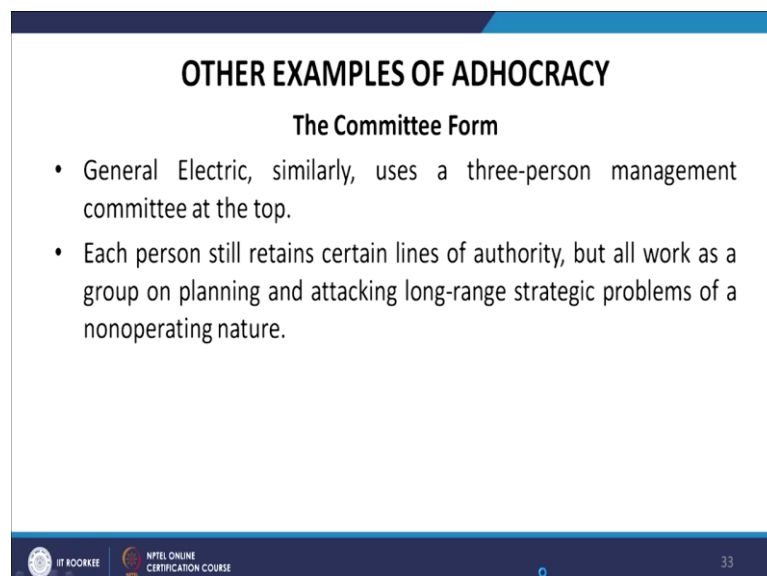
**The Committee Form**

- Such a structure:
  - brings diverse perspectives into top-level decision making, and
  - permits the heterogeneous tasks of the chief executive's job to be divided up and parceled out according to the background and skills of the plural executive group.
- Du Pont, for example, has utilized the plural-executive concept for a number of decades.

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Such as structure: brings diverse perspectives into top level decision making, and permits the heterogeneous tasks of the chief executive's job to be divided up and parceled out according to the background and the skills of the plural executive group. Du Pont, for example, has utilized the plural executive concept for a number of decades. General Electric, similarly, uses a three-person management committee at the top.

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**OTHER EXAMPLES OF ADHOCRACY**

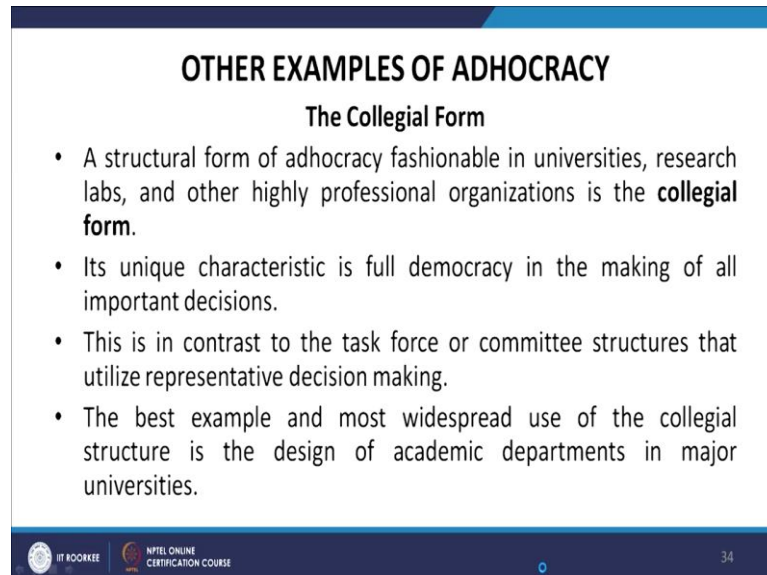
**The Committee Form**

- General Electric, similarly, uses a three-person management committee at the top.
- Each person still retains certain lines of authority, but all work as a group on planning and attacking long-range strategic problems of a nonoperating nature.

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Each person still retains certain lines of authority, but all work as a group on planning and attacking long-range strategic problems of a non operating nature.

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**OTHER EXAMPLES OF ADHOCRACY**

**The Collegial Form**

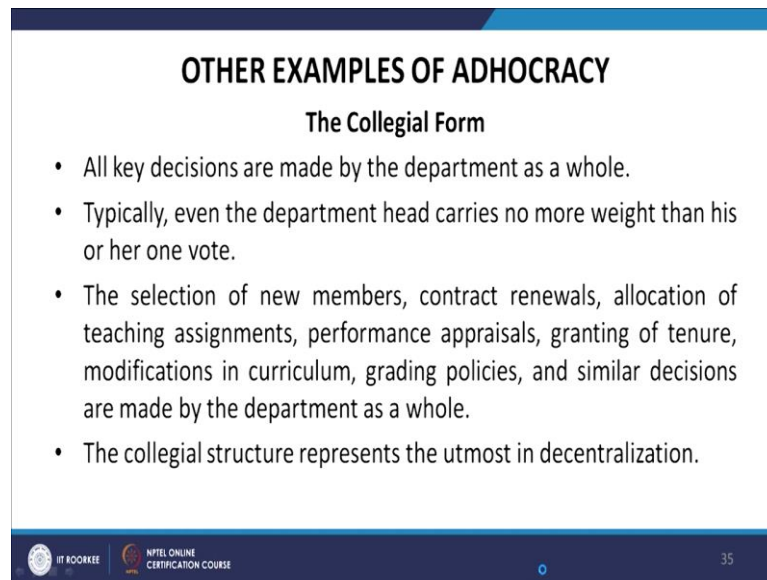
- A structural form of adhocracy fashionable in universities, research labs, and other highly professional organizations is the **collegial form**.
- Its unique characteristic is full democracy in the making of all important decisions.
- This is in contrast to the task force or committee structures that utilize representative decision making.
- The best example and most widespread use of the collegial structure is the design of academic departments in major universities.

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The next example is of the collegial form. The structure form of adhocracy fashionable in universities, research labs, and other highly professional organizations is the collegial form. Its unique characteristic is full democracy in the making of all important decisions.

This is in contrast to the task force or committee structures that utilize a representative decision making. The best example and most widespread use of the collegial structure is the design of academic departments in major universities.

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**OTHER EXAMPLES OF ADHOCRACY**

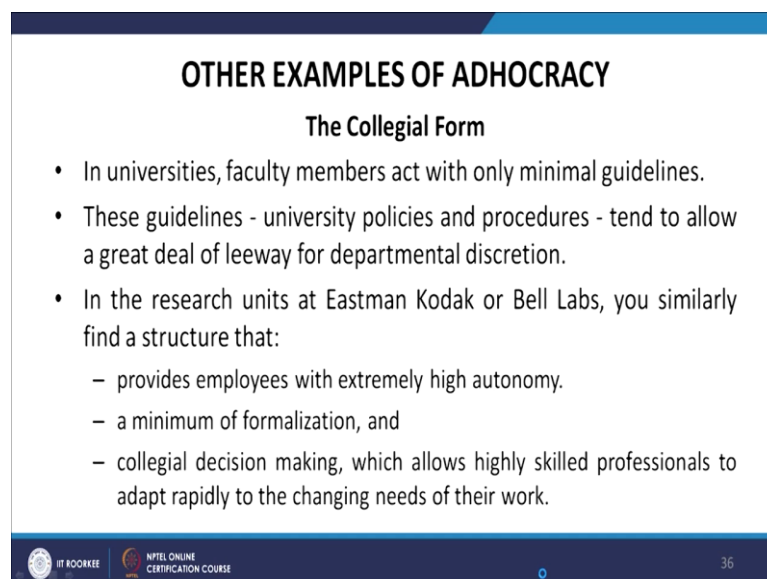
**The Collegial Form**

- All key decisions are made by the department as a whole.
- Typically, even the department head carries no more weight than his or her one vote.
- The selection of new members, contract renewals, allocation of teaching assignments, performance appraisals, granting of tenure, modifications in curriculum, grading policies, and similar decisions are made by the department as a whole.
- The collegial structure represents the utmost in decentralization.

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All key decisions are made by the department as a whole. Typically, even the department head carries no more weight than his or her one vote. The selection of new members, contract renewals, allocation of teaching assignments, performance appraisal, and granting of tenure, modifications in curriculum, grading policies, and similar decisions are made by the department as a whole. The collegial structure represents the utmost in decentralization.

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**OTHER EXAMPLES OF ADHOCRACY**

**The Collegial Form**

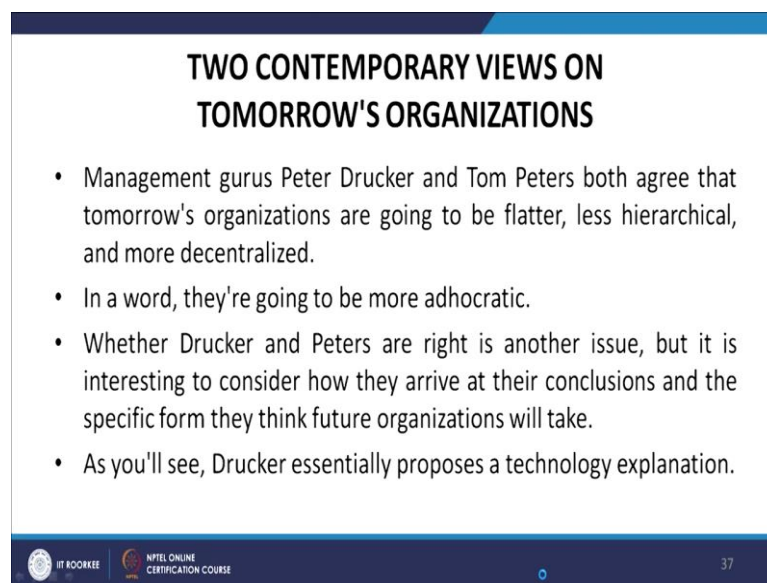
- In universities, faculty members act with only minimal guidelines.
- These guidelines - university policies and procedures - tend to allow a great deal of leeway for departmental discretion.
- In the research units at Eastman Kodak or Bell Labs, you similarly find a structure that:
  - provides employees with extremely high autonomy.
  - a minimum of formalization, and
  - collegial decision making, which allows highly skilled professionals to adapt rapidly to the changing needs of their work.

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In universities, faculty members act with only minimal guidelines. These guidelines - university policies and procedures - tend to allow a great deal of leeway for departmental discretion.

In the research units at Eastman Kodak or Bell Labs, you similarly find a structure that: provides employees with extremely high autonomy, a minimum of formalization, and collegial decision making, which allows highly skilled professionals to adapt rapidly to the changing needs of their work.

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**TWO CONTEMPORARY VIEWS ON  
TOMORROW'S ORGANIZATIONS**

- Management gurus Peter Drucker and Tom Peters both agree that tomorrow's organizations are going to be flatter, less hierarchical, and more decentralized.
- In a word, they're going to be more adhocratic.
- Whether Drucker and Peters are right is another issue, but it is interesting to consider how they arrive at their conclusions and the specific form they think future organizations will take.
- As you'll see, Drucker essentially proposes a technology explanation.

IT BOOKEE | NPTEL ONLINE CERTIFICATION COURSE 37

Now, we will look at the two contemporary views on tomorrow's organizations. Management gurus Peter Drucker and Tom Peters both agree that tomorrow's organizations are going to be flatter, less hierarchical, and more decentralized. In a word, they are going to be more adhocratic.

Whether Drucker and Peters are right is another issue, but it is interesting to consider how they arrive at their conclusions and the specific form they think future organizations will take. As you will see, Drucker essentially proposes a technology explanation.

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### TWO CONTEMPORARY VIEWS ON TOMORROW'S ORGANIZATIONS

- Future organizations will look more like large symphony orchestras than the traditional pyramid-shaped corporate bureaucracies because the typical organization will have become information-based.
- An information-based technology will require adhocracy.
- Drucker sees computer technology changing the composition of tomorrow's organizations.
- Knowledge-based organizations will be composed largely of specialists who direct and discipline their own performance through organized feedback from colleagues, customers, and headquarters.

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38

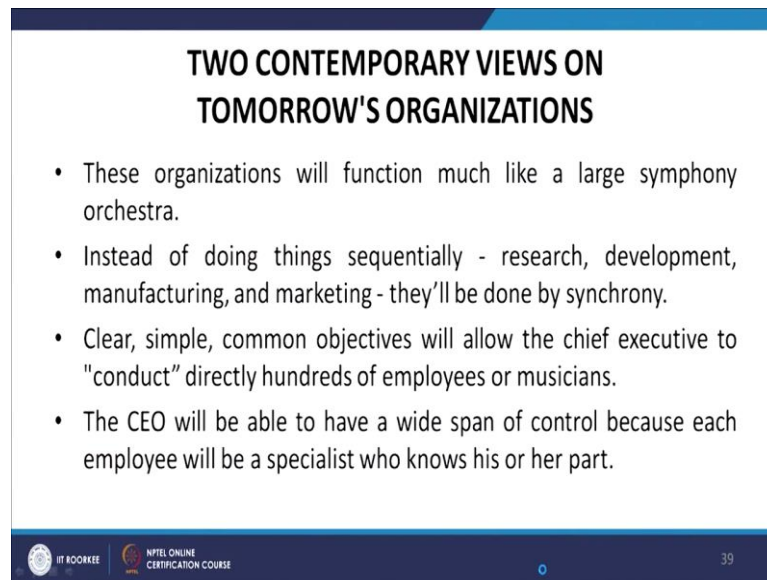
Future organizations will look more like large symphony orchestras than the traditional pyramid-shaped corporate bureaucracies, because the typical organization will have become information-based. An information-based technology will require adhocracy. Drucker sees computer technology changing the composition of tomorrow's organizations.

Knowledge-based organizations will be composed largely of specialists who direct and discipline their own performance through organized feedback from colleagues, customers, and headquarters. These organizations will function much like a large symphony orchestra. Instead of doing things sequentially – research, development, manufacturing, and marketing - they will be done by synchrony.

Clear, simple, common objectives will allow the chief executive to “conduct” directly hundreds of employees or musicians.



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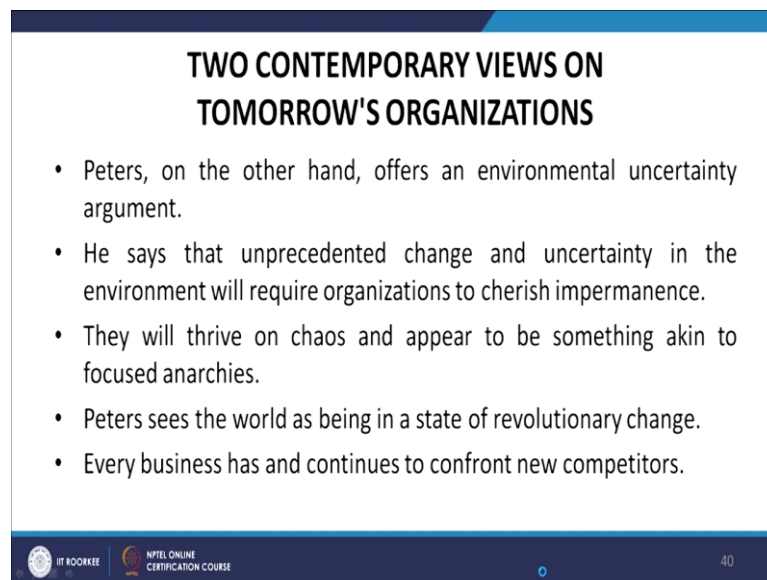
**TWO CONTEMPORARY VIEWS ON TOMORROW'S ORGANIZATIONS**

- These organizations will function much like a large symphony orchestra.
- Instead of doing things sequentially - research, development, manufacturing, and marketing - they'll be done by synchrony.
- Clear, simple, common objectives will allow the chief executive to "conduct" directly hundreds of employees or musicians.
- The CEO will be able to have a wide span of control because each employee will be a specialist who knows his or her part.

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The CEO will be able to have a wide span of control because each employee will be a specialist who knows his or her part.

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**TWO CONTEMPORARY VIEWS ON TOMORROW'S ORGANIZATIONS**

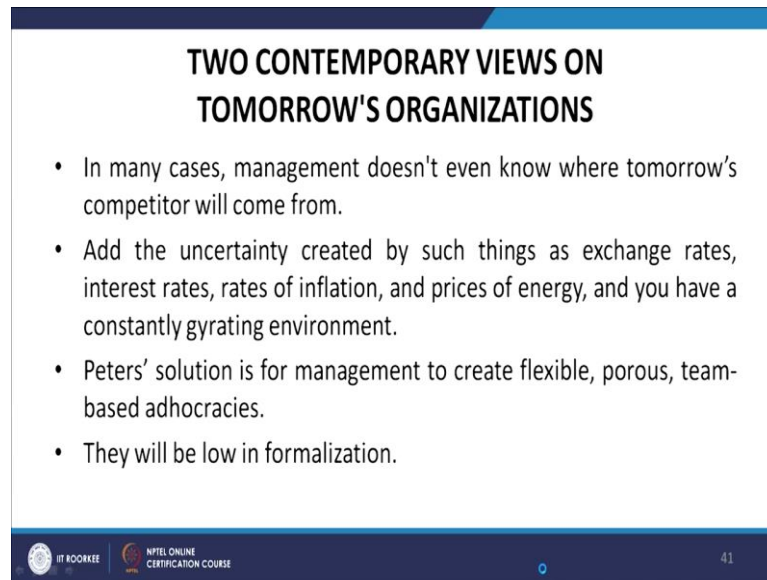
- Peters, on the other hand, offers an environmental uncertainty argument.
- He says that unprecedented change and uncertainty in the environment will require organizations to cherish impermanence.
- They will thrive on chaos and appear to be something akin to focused anarchies.
- Peters sees the world as being in a state of revolutionary change.
- Every business has and continues to confront new competitors.

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Peters, on the other hand, offers an environmental uncertainty argument. He says that unprecedented changes and uncertainty in the environment will require organizations to cherish impermanence. They will thrive on chaos and appear to be something akin to focused anarchies. Peters sees the world as being in a state of revolutionary change.

Every business has and continues to confront new competitors. In many cases, management does not even know where tomorrow's competitor will come from. Add the uncertainty created by such things as exchange rates, interest rates, rates of inflation, and prices of energy, and you have a constantly gyrating environment.

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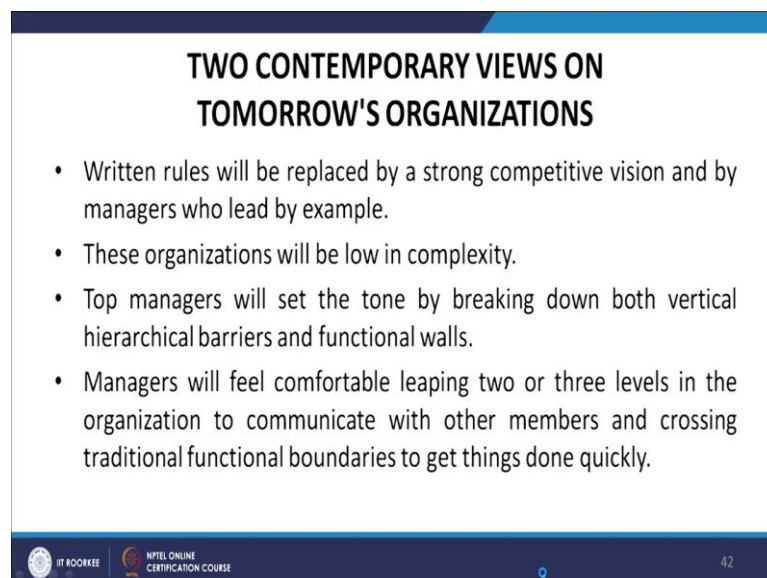
**TWO CONTEMPORARY VIEWS ON TOMORROW'S ORGANIZATIONS**

- In many cases, management doesn't even know where tomorrow's competitor will come from.
- Add the uncertainty created by such things as exchange rates, interest rates, rates of inflation, and prices of energy, and you have a constantly gyrating environment.
- Peters' solution is for management to create flexible, porous, team-based adhocracies.
- They will be low in formalization.

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Peters' solution is for management to create flexible, porous, team-based adhocracies. They will be low in formalization. Written rules will be replaced by a strong competitive vision and by managers who lead by example.

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**TWO CONTEMPORARY VIEWS ON TOMORROW'S ORGANIZATIONS**

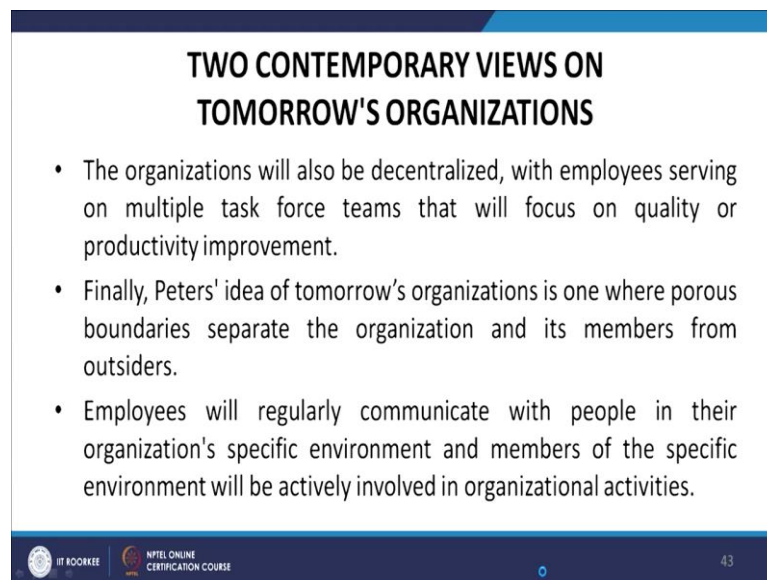
- Written rules will be replaced by a strong competitive vision and by managers who lead by example.
- These organizations will be low in complexity.
- Top managers will set the tone by breaking down both vertical hierarchical barriers and functional walls.
- Managers will feel comfortable leaping two or three levels in the organization to communicate with other members and crossing traditional functional boundaries to get things done quickly.

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These organizations will be low in complexity. Top managers will set the tone by breaking down both vertical hierarchical barriers and functional walls.

Managers will feel comfortable leaping two or three levels in the organization to communicate with other members and crossing traditional functional boundaries to get things done quickly. The organizations will also be decentralized with employees serving on multiple tasks for teams that will focus on quality or productivity improvement.

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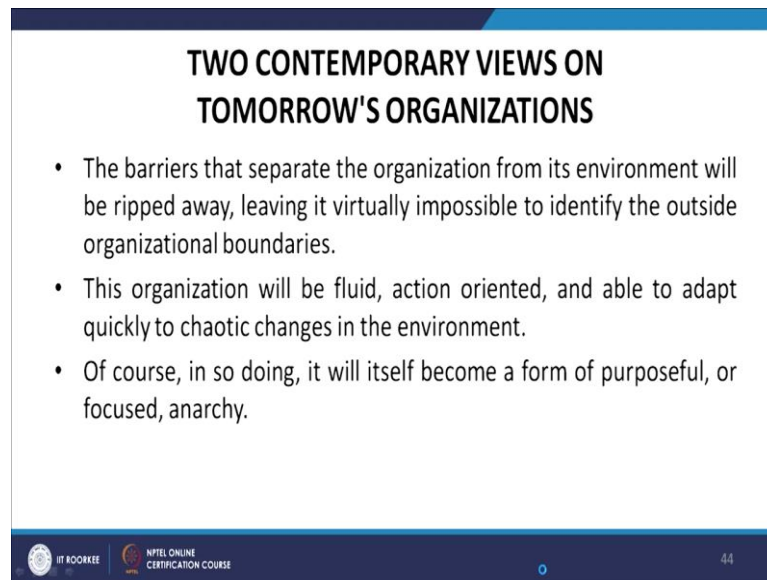
**TWO CONTEMPORARY VIEWS ON TOMORROW'S ORGANIZATIONS**

- The organizations will also be decentralized, with employees serving on multiple task force teams that will focus on quality or productivity improvement.
- Finally, Peters' idea of tomorrow's organizations is one where porous boundaries separate the organization and its members from outsiders.
- Employees will regularly communicate with people in their organization's specific environment and members of the specific environment will be actively involved in organizational activities.

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Finally, Peters' idea of tomorrow's organizations is one where porous boundaries separate the organization and its members from outsiders. Employees will regularly communicate with people in their organization's specific environment and members of the specific environment will be actively involved in organizational activities.

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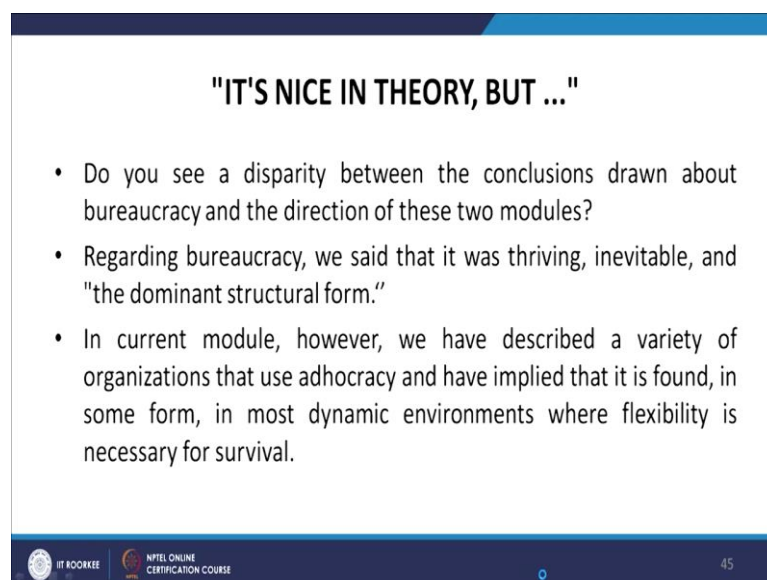
**TWO CONTEMPORARY VIEWS ON TOMORROW'S ORGANIZATIONS**

- The barriers that separate the organization from its environment will be ripped away, leaving it virtually impossible to identify the outside organizational boundaries.
- This organization will be fluid, action oriented, and able to adapt quickly to chaotic changes in the environment.
- Of course, in so doing, it will itself become a form of purposeful, or focused, anarchy.

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The barriers that separate the organization from its environment will be ripped off, leaving it virtually impossible to identify the outside organizational boundaries. This organization will be fluid, action oriented, and able to adapt quickly to chaotic changes in the environment. Of course, in so doing, it will itself become a form of purposeful, or focused, anarchy.

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**"IT'S NICE IN THEORY, BUT ..."**

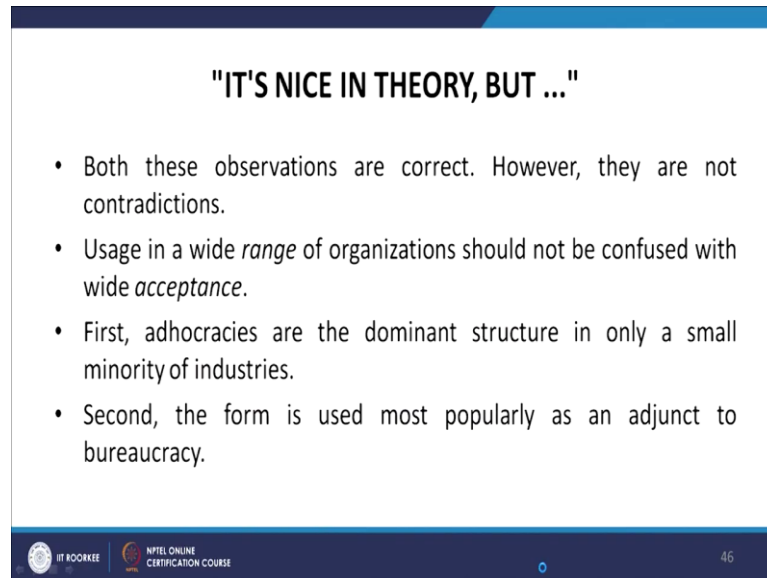
- Do you see a disparity between the conclusions drawn about bureaucracy and the direction of these two modules?
- Regarding bureaucracy, we said that it was thriving, inevitable, and "the dominant structural form."
- In current module, however, we have described a variety of organizations that use adhocracy and have implied that it is found, in some form, in most dynamic environments where flexibility is necessary for survival.

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Now, it is nice in theory, but do you see a disparity between the conclusion drawn about bureaucracy and the discretion of these two modules? Regarding bureaucracy, we said

that it was thriving, inevitable, and “the dominant structural form.” In current module; however, we have described a variety of organizations that use adhocracy and have implied that it is found, in some form, in most dynamic environments where flexibility is necessary for survival. Both these observations are correct. However, they are not contradictions.

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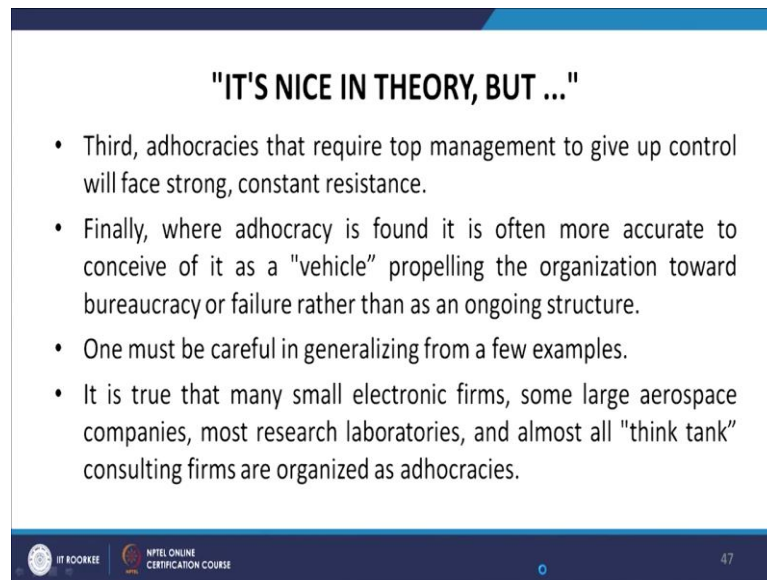
**"IT'S NICE IN THEORY, BUT ..."**

- Both these observations are correct. However, they are not contradictions.
- Usage in a wide *range* of organizations should not be confused with wide *acceptance*.
- First, adhocracies are the dominant structure in only a small minority of industries.
- Second, the form is used most popularly as an adjunct to bureaucracy.

IIT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 46

Usage in a wide range of organizations should not be confused with wide acceptance. First, adhocracies are the dominant structure in only a small minority of industries. Second, the form is used most popularly as an adjunct to bureaucracy. Third, adhocracies that require top management to give up control will face strong constant resistance.

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**"IT'S NICE IN THEORY, BUT ..."**

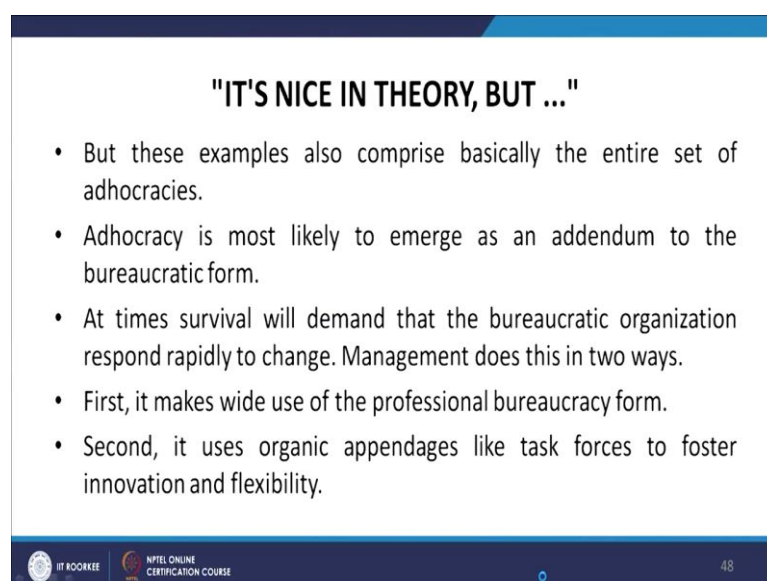
- Third, adhocracies that require top management to give up control will face strong, constant resistance.
- Finally, where adhocracy is found it is often more accurate to conceive of it as a "vehicle" propelling the organization toward bureaucracy or failure rather than as an ongoing structure.
- One must be careful in generalizing from a few examples.
- It is true that many small electronic firms, some large aerospace companies, most research laboratories, and almost all "think tank" consulting firms are organized as adhocracies.

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Finally, where adhocracy is found it is often more accurate to conceive of it as a “vehicle” propelling the organization towards bureaucracy or failure rather than as an ongoing structure. One must be careful in generalizing from a few examples.

It is true that many small electronic firms, some large aerospace companies, most research laboratories, and almost all “think tank” consulting firms are organized as adhocracies.

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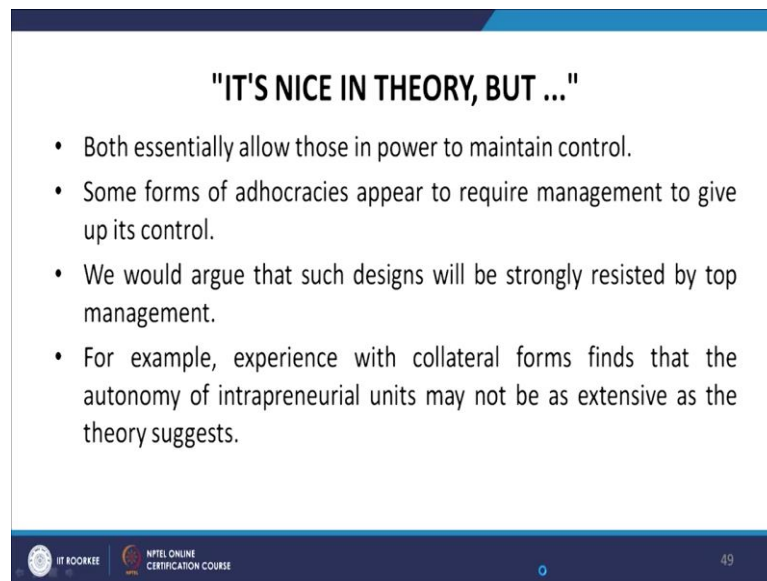
**"IT'S NICE IN THEORY, BUT ..."**

- But these examples also comprise basically the entire set of adhocracies.
- Adhocracy is most likely to emerge as an addendum to the bureaucratic form.
- At times survival will demand that the bureaucratic organization respond rapidly to change. Management does this in two ways.
- First, it makes wide use of the professional bureaucracy form.
- Second, it uses organic appendages like task forces to foster innovation and flexibility.

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But, these examples also comprise basically the entire set of adhocracies. Adhocracy is most likely to emerge as an addendum to the bureaucratic form. At times survival will demand that the bureaucratic organization respond rapidly to change. Management does this in two ways. First, it makes wide use of the professional bureaucracy form. Second, it uses organic appendages like task force to foster innovation and flexibility.

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**"IT'S NICE IN THEORY, BUT ..."**

- Both essentially allow those in power to maintain control.
- Some forms of adhocracies appear to require management to give up its control.
- We would argue that such designs will be strongly resisted by top management.
- For example, experience with collateral forms finds that the autonomy of intrapreneurial units may not be as extensive as the theory suggests.

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Both essentially allowed those in power to maintain control. Some forms of adhocracies appear to require management to give up its control. We would argue that such designs will be strongly resisted by top management. For example, experience with collateral forms finds that the autonomy of intrapreneurial units may not be as extensive as the theory suggests.

As one venture capitalist put it, even the best of organizations cannot keep its management's fingers out of the pie. It has also been noted that theory Z type organizations only give the appearance of reducing top management's control. And employees' psychological commitment to the theory Z organization for his or her work life make the employees more likely to tolerate conditions about which he or she might otherwise complain.

Employee power is reduced through job rotation. Management chooses the size of work teams, the members who will be on each team and the job rotation patterns between teams, ensuring that no individual or team gains too much influence.



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**"IT'S NICE IN THEORY, BUT ..."**

- Employee power is reduced through job rotation.
- Management chooses the size of work teams, the members who will be on each team, and the job-rotation patterns between teams, ensuring that no individual or team gains too much influence.
- Finally, and perhaps most important, when adhocracy does emerge as the dominant structure in an organization, don't expect it to stay that way long.
- Success and progression in its life cycle drive the organization toward stability and standardization.

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Finally, and perhaps most important, when adhocracy does emerge as the dominant structure in an organization, do not expect it to stay that way long. Success and progression in its lifecycle drive the organization toward stability and standardization.

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**"IT'S NICE IN THEORY, BUT ..."**

- As an organization settles in on what it does best, it is encouraged to repeat these activities.
- Standardization, differentiation, and formalization result.
- Of course, there is another alternative.
- The organization may die.
- Adhocracies will exist in dynamic environments where, unfortunately, the risk of failure is great.
- Changes in consumer tastes, breakthroughs by competitors, and the like, are threats to survival.

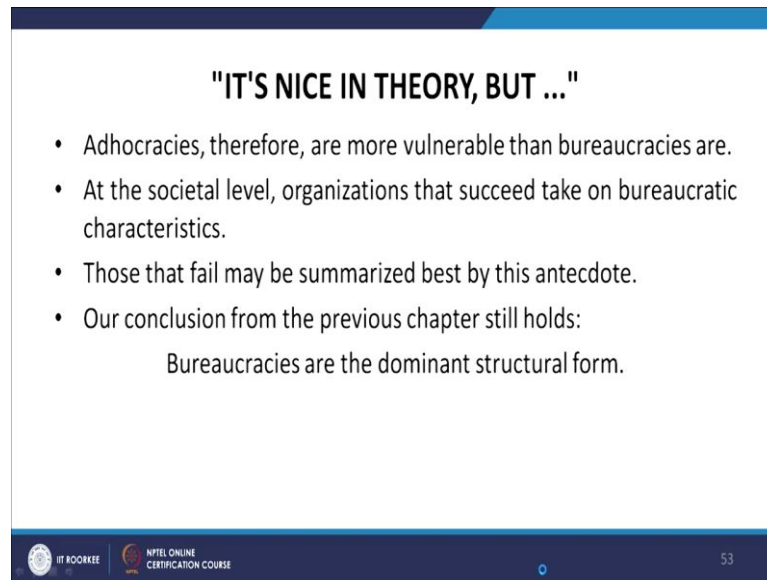
IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 52

As an organization settles in on what it does best, it is encouraged to repeat these activities. Standardization, differentiation, and formalization results. Of course, there is another alternative. The organization may die. Adhocracies will exist in dynamic environment where unfortunately, the risk of failure is great. Changes in consumer tastes,



breakthroughs by competitors, and the likes, are threat to survival. Adhocracies therefore, are more vulnerable than bureaucracies are. At the societal level, organizations that succeed take on bureaucratic characteristics.

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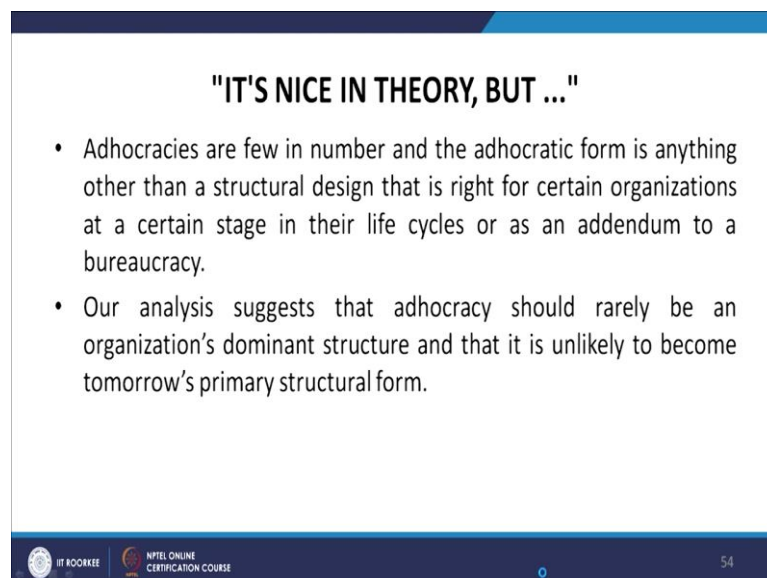
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### "IT'S NICE IN THEORY, BUT ..."

- Adhocracies, therefore, are more vulnerable than bureaucracies are.
- At the societal level, organizations that succeed take on bureaucratic characteristics.
- Those that fail may be summarized best by this anecdote.
- Our conclusion from the previous chapter still holds:  
Bureaucracies are the dominant structural form.

Those that fail may be summarized best by this anecdote. Our conclusion from the previous chapter still holds: bureaucracies are the dominant structural form.

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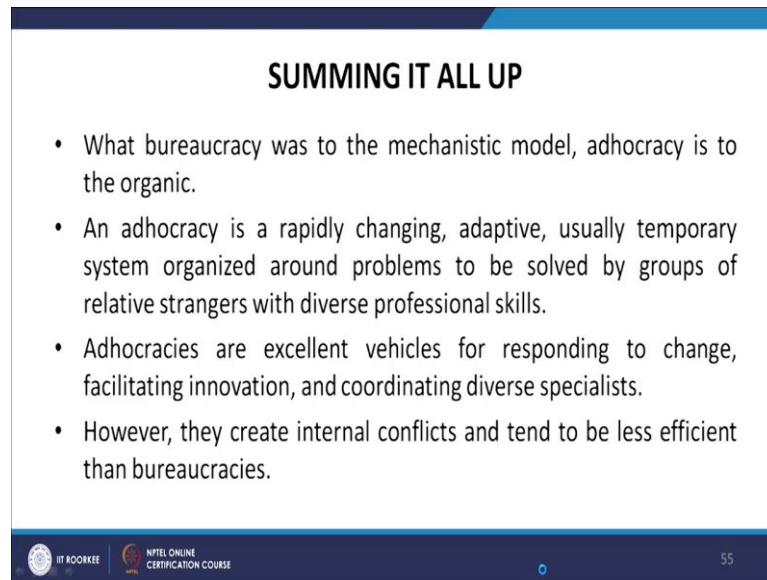
### "IT'S NICE IN THEORY, BUT ..."

- Adhocracies are few in number and the adhocratic form is anything other than a structural design that is right for certain organizations at a certain stage in their life cycles or as an addendum to a bureaucracy.
- Our analysis suggests that adhocracy should rarely be an organization's dominant structure and that it is unlikely to become tomorrow's primary structural form.

Adhocracies are few in numbers and the adhocratic form is anything other than a structural design that is right for certain organizations at a certain stage in their life cycle

or as an addendum to bureaucracy. Our analysis suggested that adhocracy should rarely be an organization's dominant structure and that it is unlikely to become tomorrow's primary structural form.

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**SUMMING IT ALL UP**

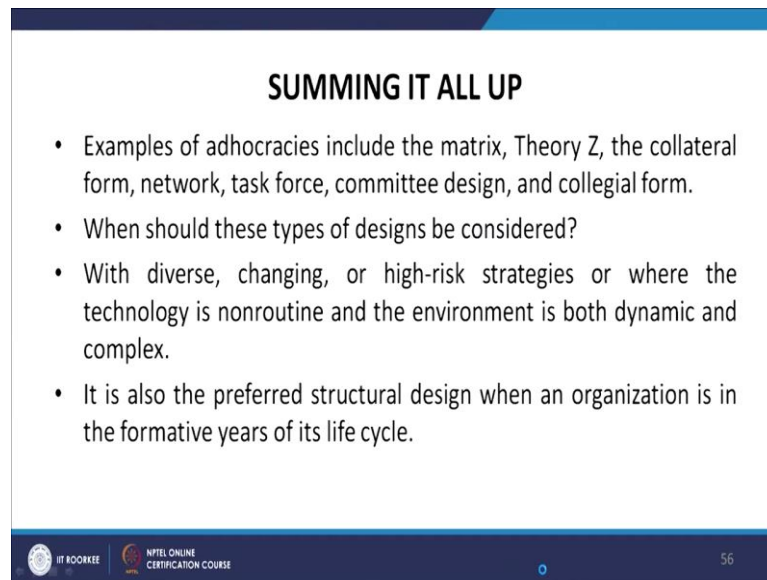
- What bureaucracy was to the mechanistic model, adhocracy is to the organic.
- An adhocracy is a rapidly changing, adaptive, usually temporary system organized around problems to be solved by groups of relative strangers with diverse professional skills.
- Adhocracies are excellent vehicles for responding to change, facilitating innovation, and coordinating diverse specialists.
- However, they create internal conflicts and tend to be less efficient than bureaucracies.

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Now, let us sum it all up. What bureaucracy was to the mechanistic model, adhocracy is to the organic. An adhocracy is a rapidly changing, adoptive, usually temporary system organized around problems to be solved by groups of relative strangers with diverse professional skills.

Adhocracies are excellent vehicles for responding to change, facilitating innovation, and coordinating diverse specialists. However, they create internal conflicts and tend to be less efficient than bureaucracies.

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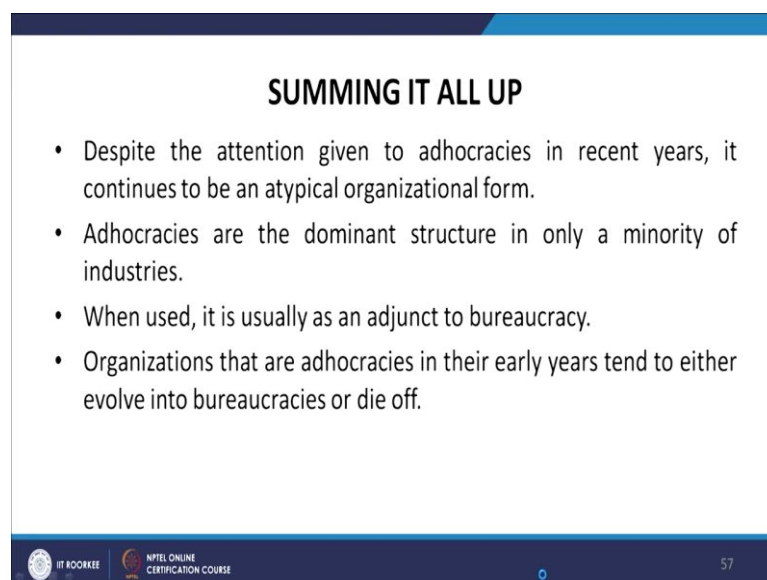
**SUMMING IT ALL UP**

- Examples of adhocracies include the matrix, Theory Z, the collateral form, network, task force, committee design, and collegial form.
- When should these types of designs be considered?
- With diverse, changing, or high-risk strategies or where the technology is nonroutine and the environment is both dynamic and complex.
- It is also the preferred structural design when an organization is in the formative years of its life cycle.

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Examples of adhocracies include the matrix, Theory Z, and the collateral form, network, task force, committee design, and collegial form. When should these types of design be considered? With diverse, changing, or high-risk strategies or where the technology is non routine and the environment is both dynamic and complex. It is also the preferred structural design when an organization is in the formative years of its lifecycle.

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**SUMMING IT ALL UP**

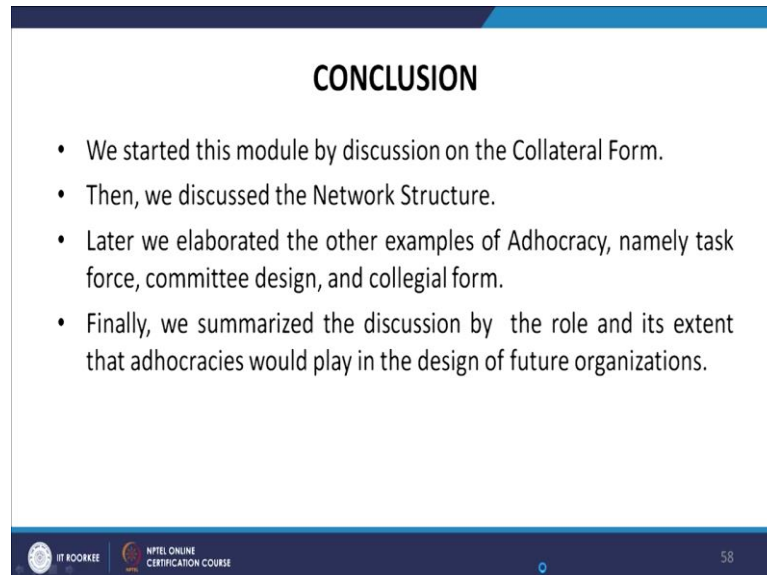
- Despite the attention given to adhocracies in recent years, it continues to be an atypical organizational form.
- Adhocracies are the dominant structure in only a minority of industries.
- When used, it is usually as an adjunct to bureaucracy.
- Organizations that are adhocracies in their early years tend to either evolve into bureaucracies or die off.

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Despite the attention given to adhocracies in recent years, it continues to be a typical organization form. Adhocracies are the dominant structure in only a minority of

industries. When used, it is usually as an adjunct to bureaucracy. Organizations that are adhocracies in their early years tend to either evolve into bureaucracies or die off.

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**CONCLUSION**

- We started this module by discussion on the Collateral Form.
- Then, we discussed the Network Structure.
- Later we elaborated the other examples of Adhocracy, namely task force, committee design, and collegial form.
- Finally, we summarized the discussion by the role and its extent that adhocracies would play in the design of future organizations.

IT ROORKEE | NPTEL ONLINE CERTIFICATION COURSE 58

So, to conclude we started this module by discussion on the Collateral Form. Then, we discussed the Network Structure. Later we elaborated the other examples of Adhocracy, namely task force, committee design, and collegial form. Finally, we summarized the discussion by the role and its extents that adhocracies would play in the design of future organizations.

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And these are the four books from which the material for this module was used.

Thank you.