Changing the philosophy of organization management in the times of e-economy

1. Introduction

The following article has a cognitive goal: to systematize knowledge of management from the perspective of its entire development. The method of analysis and logical construction was used for its implementation. The thesis of the article says that the evolution of management is based on the progressive limitation of access to resources, which forces changes in management. It has become the focus of the discussion leading to the following conclusions:

- modern organizations cannot remain self-sufficient for pragmatic reasons. When separated from the environment, the organization became dysfunctional. Therefore, it has been replaced by a project - understood as an inter-organizational, ad hoc project;
- the hyper flexibility, relating to the flexibility of relations between project participants, has become the attribute of effective management in virtual space, expressed by the ability to acquire and use effectively foreign resources and by the ease of adaptation to the changing (new) market conditions;
• in the decision-making process, the consideration of its methodological correctness (methodological rationality) gives way to the need for ad-hoc choices conditioned on particular objectives and current conditions (substantive rationality).

2. From organization to project

So far, the organization - an autonomous decision-making entity, which is influenced by other entities belonging to its area of activity - has been treated unequivocally as the subject of management. Its main attributes were isolation from the environment and repeatability of processes. The boundaries were determined to a large extent by aspects, i.e. the ownership of resources and the related autonomy of its activities. Such understanding of the organization was dictated by the idea of capitalism (Begg, Fisher, Dormbush 2001, p. 74). One of its basic assumptions refers to the division of society into two groups: entrepreneurs - owners of capital: financial assets, buildings, machinery, means of transport and land, and employees - without capital. This factor was decisive for defining the boundaries of the organization until strong socioeconomic changes in the twentieth century. Wars and financial crisis have prompted entrepreneurs to make the decision to continue their business by acquiring foreign resources. At a later stage, an important role was played by globalization, underpinned by information revolution, dynamic technical and technological progress, and the intensification of post-World War II political integration processes (Dunning 1993, p. 106). All those have contributed to a change in the organization’s operating strategy from its current expansion into adaptation to an increasingly dynamic environment. To this end, far-reaching cooperation with other players on the market emerged. Two contrary tactics have emerged in business practice - mergers, acquisitions, strategic alliances, etc. (Toffler, Toffler 1995, p. 72). involving the absorption of competition and the use of the resulting synergistic effect, and the opposite - outsourcing - streamlining the organization to its core business and subcontracting auxiliary tasks with other market players. The consequence was the paradox of the functioning of the organization. On the one hand, they became larger by participating in an extensive global co-operation network, stronger internally, integrated due to the need for intensive exchange of resources and information between individuals. On the other hand, they began to streamline by resigning from realising many tasks on their own, using instead the resources of other specialized entities that adopt the same strategy of specialization (Peters 1993, p. 473).
In the consequences of both behaviours, the boundaries of the organization were opened, allowing for the creation of inter-organizational networks, thus supplementing the financial, material and information shortages, and gaining the personnel along with its competencies.

The second path of evolution leading to a change in the essence of organization and management is defined by transformations in the identification and optimization of processes. In the industrial era, the focus was exclusively on the production process. However, the increasing competition in the second half of the 20th century, as well as the dynamic development of service activity, led to a different approach to the design of the organizational structure and to the resignation from focusing on functional specialization and the unity of direction. The accompanying consistency of the solutions started to be replaced by the temporality transpiring from the need to solve the current problems and optimize the operation to generate value for the customer and not only for the organization itself. In turn, the global financial crisis, recorded at the end of the first decade of the 21st century, introduced concepts such as chaos and discontinuity to a management science dictionary (Toffler, Toffler 1995, p. 58; Kotler, Caslione 2009) and triggered the need to move from effective process thinking to design thinking. At present, the way organizations function is less and less based on realization of repetitive processes, but on temporary, one-off, complex projects tailored to the current needs of the market, business, technical, social and customer situations.

Consequently, we observe a progressive dysfunctionality of an organization understood as a clearly defined entity with its own resources necessary for their implementation. Organization management in the information age is replaced by the project management, which constantly seeks for the opportunities for a profitable allocation of resources and efficient use of external resources by participating in various projects. Project management focuses on the relationships of organizations with the environment and requires knowledge of markets, project management skills, creativity in problem solving and effective negotiation with partners (Stewart 1987, p. 87). When an organization loses its boundaries, it is replaced as an object of management by a project, understood as cooperative processes aimed to realize a common goal by different parties. The project is therefore identical to a network of cooperation of autonomous market players with complementary resources that enable complex business ventures to be realized. Elements of the network may potentially include

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1 Network organization is identified with the concept of virtual organization, because the possibility of making interaction is determined by the availability of ICT tools that construct virtual space.
all market participants. The difference is, that in a traditionally perceived structure, all elements belong permanently to a set i.e. the organization. In the case of a project, the set consists of elements chosen on a temporary basis - market participants.

An example of such a project can be a concept of metamarkets, where groups of sellers of complementary products and services cooperate in providing customer with comprehensive service including product, payment crediting, insurance and after-sales service. On a matamarket, the customer encounters individual marketing, addressed only to him, with comprehensive, up-to-date databases that create the opportunity to choose the product and service package which facilitates its purchase and use (Govindarajan 2007, p. 9). This provides an incomparably better chance of recognizing the needs and behaviour of customers than in a traditionally run business. The client, the producer or the seller unsatisfied with the relationship with the existing contractor has the possibility of its immediate and territorially unlimited change (Płoszajski 2000, p. 231).

The evolution from organization management to project management has been going on for several decades. The formation of companies specializing in auxiliary service activities, which other entities within the framework of outsourcing eliminate from their organizational structure is a case that supports that observation. This is particularly true in logistics and accounting. As a result, the entities emerged that form the links (nodes) of many design networks.

3. From flexibility to hyperflexibility

The efficiency of project management is determined by the potential of the Internet. Its emergence and dynamic development has resulted in the creation of an electronic market, parallel to the traditional one. E-market is characterised by different rules of the game essentially dictated by the territorial limitlessness of the market field. The game can be played between competitors located in different parts of the globe, which is particularly true in the B2B area when outsourcing services are commissioned based on the criterion of the optimum offer - value for money rather than geographical distance. The same indicator determines the potential ease of changing markets, as well as the ability to create new markets, market niches (Majewski 2007, p. 49). The ability to reach out to consumers with specific preferences scattered all over the world.

The nature of the game played on the electronic market is also determined by the evolution of the role of the client who first by building product reviews
has become a co-creator of the value of the organization. Next, he also took on
the role of a provider of diverse resources, in particular information (client to
business). This is a manifestation of hybrid relationships with stakeholders that
show far-reaching changes in contemporary management.

From the foregoing considerations it appears that the most important feature
of project management is hyperflexibility, which enables organizations to
efficiently use external resources, easily adapt to new market conditions, or avoid
the necessity to make adjustments thanks to finding new markets or market
niches. The concept of hyperflexibility should be distinguished from another
concept popular in a modern management dictionary - i.e. flexibility. The latter is
understood as the ability (easiness) to adapt to the current conditions of operating,
thanks to the ability to quickly change organizational solutions and resource
characteristics and to use a variety of often antagonistic patterns of behaviour and
organizational solutions, such as interaction - competition, stiffness - flexibility,
trust - control, conflict - compromise, individualism - collectivism (de Rand,
Bouchikhi 2004). Hyperflexibility, on the other hand, is achieved through the
diversity of resources - own constant and varied external. Thanks to this diversity
of resources, the organizational structure features and strategy characteristics
can be easily changed, adapting them to technical capabilities and conditions of
market environment (Bieńkowska, Sikorski 2016, p. 216).

The essence of change of the management in the information age is, inter
alia, the transition from the flexibility of the elements of the organization to the
flexibility of the relationship between the elements. In the past, the care was
being taken of the flexibility of the elements (resources and organizational cells)
which was reminiscent of a structure made of plasticine, easy to model, but when
you want to make a change, you have to destroy the existing form. The flexibility
of the relationship between the elements is reminiscent of Lego blocks. There
are unlimited variants of the composition, then. However, the elements remain
stable, only the relationship between them changes. It is about moving from the
management of elements to the management of relationships between them.
This applies both to the single organization and to the network of collaborating
organizations. It can therefore be assumed, that the management of the elements
only and the management of the relations between them only are two extreme
points on the scale of possibilities; at the same time, assuming that the concept
of flexibility should be equal to the flexibility of elements, and hyperflexibility -
with the flexibility of the relationship between them.

The degree of hyperflexibility depends on the ability to obtain information on
the availability and subsidiarity of the resources of organizations operating in the
environment, and the acquisition of partners and agreements on the formation of ad hoc coalitions, alliances, i.e. collaborative networks for the implementation of joint projects. In addition, it is determined by the ability to design structures and behaviours that facilitates proper use of the resources characteristics in the project and the development of strategies that can be applied in different market games. Hyperflexibility also depends on the ability to create a pragmatic culture that combines opposing traits, such as the homogeneity of value and the heterogeneity of norms and patterns of behaviour, or the orientation to the present, integrating both past reference points and multi-screen projection of the future.

4. From methodological to factual and substantive rationality

The characteristics of the information society are: high dynamics of behaviour, risk-taking capacity, high professional qualifications, as well as the ability to learn in a connectivist manner, to obtain information efficiently, critically evaluate it and make the best possible use of it in practice (Twenge 2006, pp. 4-5). This implies far-reaching changes in the decision-making process in managing organizations. These features work well in project management in virtual space. To focus on the present has become an expected behaviour of modern entrepreneurs (Trompenaars, Hampden-Turner 2002, pp. 146-164). It involves both thinking in terms of “here and now” and making optimum decisions in terms of present conditions. It is also a combination of sequential (past) and synchronous (future) thinking, but in a selective way, as opposed to the complete adoption of the perspective of time. With such an approach, the past is the source of the superior values that companies were striving for in their heyday in the 20th century, such as product quality, customer loyalty, etc. In turn, as regards the symptoms of synchronous thinking, its principal manifestation is multitasking, doing several things at the same time. The domain of electronic business is the realization of many projects simultaneously and thinking multidisciplinary. The pragmatism of the behaviours of entities operating in virtual space consists in adopting a broad perspective allowing the use of lucrative opportunities. Making decisions in the “here and now” categories enables a smooth adaptation of the evaluation criteria to the needs of a given situation, in each case different. Such realization of the decision-making process is in opposition to the methodical evaluation of the situation of solution selection, which has been practiced for decades. Methodological rationalization (Bielski, 1996, p. 243), i.e. adherence to the adopted principles and guidelines on the way to the goal, has determined
the decision-making process of entrepreneurs since the birth of management science. It was based on the promise that the development and meticulous implementation of the method was decisive for optimizing effects. We find it in the study of F. and L. Gilberth, F. Taylor, H. Ford. Methodological rationality justified in the second half of the twentieth century the primacy of teamwork in the United States, a highly individualist country, driven by the dynamic development of the Japanese economy, a highly collectivist country. Finally, the dictation of the method manifested itself in the development of strategic management. The struggle against increased competition was conducted by means of active support of models, tools, methods including SWOT analysis, Ansoff’s, McKinsey’s matrix, etc. Their effective use was supposed to provide the advantage over other market participants (Kiechel 2013, p. 69).

At the end of the last century, however, there was a crisis of confidence in the methods. The environment was no longer just a variable. The increasing dynamics of change and the complexity of the conditions undermined the legitimacy of the use of schemes. A tendency appeared to increase the flexibility of functioning of the organization, to widen the range of behaviours by abandoning rigid regulations for developing the ability to rapidly adapt to changes in the environment. It was then assumed that job specialization, flattened structure, low formalization, etc., enhance adaptability to the requirements of the environment and thus lead to greater organizational efficiency. Such solutions widened the area of organizational behaviour. Expanding the space of action, however, also led to a reduction in efficiency. One of the fundamental limits is the limited capacity to attract people with both a wide range of professional skills and adaptive personality abilities that allow them to function effectively in such spaces. Another limitation is the need to maintain order of actions. It is difficult to work efficiently in an undefined space.

Adopting the “here and now” perspective in the decision-making process eliminates the above barriers and fundamentally changes the situation. There is a concept of a relatively stable, specialized organization, which, by focusing on the seeking possibility of continuous cooperation with other organizations and the use of foreign resources, has the attribute of hyperflexibility. The hyperflexibility is a combination of return to a relatively narrow range of organizational behaviour and the ability to establish inter-organizational relationships. In this case, substantive (Bielski 1996, p. 242) and factual rationality (Simon, 1976, p. 176) dominates in the decision-making process. In the electronic market, realization of the specific objectives of particular organizations depends on their mutual compatibility, i.e. treating foreign resources as being feasible for
the implementation of joint projects. The idea is to reject attachment to proven methods of conduct and assessment, and not to insistently pursue formally formulated objectives, but on the basis of an effective analysis of the current situation, make the appropriate - for the given situation - selection of the criteria for evaluating the available alternatives. The hyperflexibility is a manifestation of the activation of regulatory mechanisms for the preservation of homeostasis - the greater the ambiguity of the environment, the greater the need to preserve the relative stability of the internal system. Thus, this is a concept for maintaining the functional balance of an organization (Koźmiński, Oblój, 1989, p. 123).

5. Discussion

The first of the illustrated changes concerns the evolution of the form of the management entity. One of the causes for this change has been the progressive dysfunctionality of autonomous organizations. However, the project model also has adverse effects, because it forces the interdependence (symbiotic relations) on the partners. Only the team (cooperation network) can join the market game, not an individual player. Therefore, there is a need for a conformist attitude that enables synergistic effects. However, this significantly limits the decision-making ability of individual network participants, their independence and their flexibility (Kawa, Pierański 2015, pp. 28-29). The network can achieve more than a single market player, because it has more bargaining power, but also forces a compromise between the goals of the network and the goals of its participants (Koźmiński, Piotrowski 2002, pp. 713-714). Thus, the transactional (Williamson 1998, s. pp. 33-35) and non-financial, relational costs (Chlodnicki 2004, p. 92) are generated. In addition, the theoretical assumptions of the functioning of the network question the legitimacy of the organizational hierarchy and the centralization of power in favour of heterarchy (Hedlund 1986) and the decentralization and deconcentration of power (Peters 1993, pp. 449-452). Actually, there is a distinction between equal partners’ networks and dominant networks. The latter, as the name implies, use traditional organizational solutions and therefore generate the above-mentioned negative effects of network collaboration. One should expect a crisis of this form of co-operation either (in the far future, however), which is already being manifested in the world arena of social life, where we can observe the aspiration to return to independence. However, the lack of sufficient own resources is the main obstacle, then.

Another debatable issues are, proposed in this paper, standards of organizational behavior: hyper elasticity and thinking focused on the present - being guided
by substantial and factual rationality. They can be found in some companies characterized by a maturity measured by their owners’ awareness of business processes. Knowledge of the importance of intellectual capital and its impact on business value and development of the organization is high in large organizations with targeted solutions in this area. The electronic market is, in assumptions of EU policies among other things, the area of micro-enterprise development. However, it is characterized by more difficult, than in traditional market, conditions of functioning. The key to success is the positive recognition; the barriers are: high competition (low barriers to entry) and time-absorbing confidence building. Knowledge is required to meet this. (Crafted, Crafted). The gap in the measurement of SME intellectual capital prevents the hypothesis of its low level, but the assumptions about the support for entrepreneurship development suggest that the business competences in this sector are at a reasonable level (Klimczak et al. 2013; Rzempała, Rzempała 2015 p. 485; Gutkowski), which prevents effective implementation of proposed management changes.

6. Conclusion

The evolution of management resulting in the development of the electronic market has transformed the form of the organization from relatively stable, separated from the environment, into a project realized in a temporary, fluid network structure combining various organizations or their parts and related resources. A constant point of reference ceases to be an organization and becomes a human being - an entrepreneur or a group of people who are constantly seeking partners to carry out various projects and create appropriate structures and use their own and foreign resources. This gives rise to virtual communities that are not subject, as noted by M. Castells (2007, p. 365), to the same patterns of communication and interaction at the physical communities, but are interpersonal social bonds. Individual participants may vary in size, industry, experience, and strategy. Heterogeneity of the network (Czakon, 2012, p. 105) initiates a diffusion of knowledge (Mikula, Pietruszka-Ortyl 2006, p. 119), skills and attitudes appropriate to the individual members of the network, thus improving their ability to exploit emerging opportunities and to avoid threats (Tubielewicz 2013, p. 388).

The disappearance of the organization’s borders results from an unforced choice, which is dictated by pragmatic considerations of the dependence of an economic entity on the resources of other market participants. As a result, the organization ceases to be an autonomous entity and becomes part of the project - a timely business venture implemented in collaboration. Therefore, there is
a need to build an attribute that is a hybrid model of a specialized organization, characterized by durable regulations and the ability to enter into diverse co-operation with others. This is a manifestation of the attitude to the present, creating a business model based on knowledge and experience that is adapted to the current unpredictable market conditions. The high degree of uncertainty tolerance (Hofstede 2000, p. 177) and the acceptance of outer direction (Trompenaars, Hampden-Turner 2002, p. 177) allow for optimal market moves, in the so-called “new normality” (Świerżewski 2012).

The evolution of management also means changing the type of rationality as the basis for making choices in the decision-making process. Methodological rationality, typical of the logic of functioning of mechanistic organizations under predictable environmental conditions but also of modernist ones operating in variable environments, was prevalent during the development of scientific management at the beginning of the twentieth century. In the second half of the twentieth century, the requirement of flexibility, as a result of rapidly growing market competition, brought to the fore substantial rationality (Lachowski 2012, p. 85; Płoszajski, Mierzejewska 2007), whose need for pragmatic use has been strengthened by the information revolution (Leszczyńska 2011, pp. 126-128). The resulting new communication possibilities radically change the approach to building a business model, and thus the management philosophy.

Summary

**Changing the philosophy of organization management in the times of e-economy**

The paper highlights the fundamental changes in the way of thinking in science and the management practice caused by the transition from the era of industrial civilization to the information civilization. These include the change in the subject of management, i.e. the transition from the management of the organization to the management of joint projects; from the requirement of flexibility from own resources to the ability to use external resources and the departure from the methodological rationality of a decision to the material rationality.

The change of management philosophy is particularly evident in the electronic market which sets a new and interesting research area, due to its cognitive appeal resulting from different conditions in comparison to the traditional market, and due to the high dynamics of development.
The article is theoretical and its purpose is cognitive. Its subject is a fragment of the author’s concept of the evolution of management in the organizational space. It presents the synthesis of observations on the transformations of the essence of management. To undertake such a research task is motivated by the argument that one of the tasks of management science is to visualize the changes that take place within it, in order to induce the revision of anchored old cognitive patterns inadequate to reality and replace them with new, described by an appropriate conceptual apparatus.

**Keywords:** management, organization, project, electronic market, hyperflexibility, rationality, decision-making process.

**Streszczenie**

Zmiana filozofii zarządzania organizacją w dobie gospodarki elektronicznej

W artykule zwrócono uwagę na zasadnicze zmiany sposobu myślenia w nauce i praktyce zarządzania spowodowane przejściem z epoki cywilizacji przemysłowej do cywilizacji informacyjnej. Należy do nich zaliczyć zmianę przedmiotu zarządzania, czyli przejście od zarządzania organizacją do zarządzania wspólnymi projektami; od wymagania elastyczności od własnych zasobów do umiejętności korzystania z zasobów obcych oraz odchodzenie od racjonalności metodologicznej decyzji na rzecz racjonalności rzeczowej.

Zmiana filozofii zarządzania jest szczególnie widoczna na rynku elektronicznym, który wyznacza nowy i interesujący obszar badawczy ze względu na jego atrakcyjność poznawczą wynikającą z odmiennych uwarunkowań w porównaniu z rynkiem tradycyjnym, i jak ze względu na wysoką dynamicę rozwoju.

Artykuł ma charakter teoretyczny, a jego cel jest poznawczy. Podjęta w nim tematyka stanowi fragment autorskiej koncepcji ewolucji zarządzania w przestrzeni organizacyjnej. Przedstawia syntezę obserwacji na temat przeobrażeń istoty zarządzania. Podjęcie takiego zadania badawczego umotywowane zostało argumentem, że jednym z zadań nauki o zarządzaniu jest obrazowanie przemian jakie zachodzą w jej obrębie, w celu skłonienia do rewizji zakotwiczonych starych schematów poznawczych nieadekwatnych do rzeczywistości oraz zastąpienia ich nowymi, opisywanymi odpowiednią aparaturą pojęciową.
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**Słowa kluczowe:** zarządzanie, organizacja, projekt, rynek, elektroniczny, hiperelastyczność, proces podejmowania decyzji, racjonalność.

**JEL Classification:** M210, N400

**References**