
AKSOE 2: Dynamics of Groups and Organizations I

Time: Monday 9:30–10:15

Location: EW 203

Invited Talk AKSOE 2.1 Mon 9:30 EW 203
Network organizations — •FERNANDO VEGA-REDONDO — European University Institute, Florence, Italy

It is common to define a network organization as one that is fast and flexible in adapting to changes in the underlying environment. But besides the short-run advantages of adaptability, fast changes in the structure of the organization can also be detrimental in the longer run. This happens because a widespread knowledge of the organization's structure is important in channelling (and thus speeding up) search.

I discuss the trade-off between adaptability and structural stability in a changing environment where, if the structure of the organization

adjusts, information on the exact nature of the change becomes known only with some lag. The main conclusion is that, as environment becomes more volatile, the optimal operational mode of the organization essentially passes from being totally flexible to being completely rigid, i.e. no intermediate options are ever optimal. Intuitively, this is a reflection of what could be heuristically understood as increasing returns to structural stability. Thus, when the preservation of some structure is beneficial, the optimal arrangement involves the preservation of all structure. An analogous conclusion applies in the opposite direction: when it is beneficial to have a partially adaptive structure, full adaptation is optimal.