The Virtual Design Team:

A Computational Model of Project Organizations

by

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Abstract

Large scale and multidisciplinary engineering projects (e.g., design of a hospital building) are often complex and involve many interdependent activities, and require intensive coordination among actors to deal with the activity interdependencies. To make such projects more efficient and effective, one needs to understand how coordination requirements are generated and what coordination mechanisms should be applied for a given project situation. Our research on the Virtual Design Team (VDT) attempts to develop a computational model of project organizations to analyze how activity interdependencies raise coordination needs and how organization design and introduction of communication tools may change the coordination capacity of project teams, with resulting impacts on project performance. The VDT model is built based on organizational contingency theory (Galbraith 1977) and our observations about collaborative and multidisciplinary work in large, complex projects. VDT explicitly models actors, activities, communication tools and organizations. Based on our extended information-processing view of organizations, VDT simulates the actions of, and interactions among, actors as processes of attention allocation, capacity allocation, and communication. VDT evaluates organization performance by measuring emergent project duration, direct cost, and coordination quality. The VDT model has been tested internally, and evaluated externally through case-studies. We found three way qualitative consistency among predictions of the simulation model, of organization theory, and of experienced project managers. In this paper, we present the VDT model in detail and discuss some general issues involved in computational organization modeling, including level of abstraction of tasks and actors' reasoning, and model validation.

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1. Introduction

In the early 1990s, the Statfjord Sub-sea Satellites Project was undertaken to produce oil from deep ocean wells in the Norwegian sector of the North Sea. The goal of this project was to design, manufacture and place unmanned sub-sea oil production modules on the ocean floor. Since they would be expensive to access once placed, the Statfjord modules were designed to very high quality standards to ensure that they would operate reliably, maintenance-free, for extended periods. After this project started, its work plan was changed to reduce its development schedule from three years to two years. To fit this new schedule, the design phase of this project had to be reduced from 22 months to 15 months. As a result, many sequential activities in the original plan had to be carried out concurrently.

Several questions arose from the schedule change to which the Statfjord project manager needed answers:

- Could the original design team complete the design within 15 month, instead of 22 months? If not, which specific design disciplines or management groups should be augmented?

- What detailed changes, if any, could the manager usefully make in the organization structure of the 25-person design team, e.g., decentralization of certain design approvals or decisions?

- If decision-making authority were decentralized to save design time, what would be the impact on other aspects of project performance—i.e., design cost and quality?

- What would be the predicted impact on project schedule of investing in advanced communication technologies, e.g., CAD file sharing or video conferencing?

The Statfjord project managers could only answer these questions intuitively, relying on their experience, since no extant technology and/or theory could provide explicit answers. While the Critical Path Method (CPM) models sequential interdependencies through explicit representation of precedence relationships between activities, it does not take into account reciprocal information requirements between concurrent activities, nor the impacts of actor interactions. At the same time, organizational contingency theory can provide only limited answers to these questions because of its aggregated view of organizations and its relatively general definitions of contingency factors.

Our research on the Virtual Design Team (VDT) attempts to develop a computational organization model, called VDT, to answer the questions. The VDT research was initiated in the late 1980s with a long term goal to develop new theory and tools that could extend the reach of both organizational contingency theory and network based management tools like CPM, to provide reliable answers to these kinds of questions for project organizations engaged in complex, but relatively routine tasks. In VDT, the organization's tasks (i.e., the design tasks in the above example), its actors (i.e., the particular designers and managers in the above example), and aspects of the organization's structure are explicitly represented. For a given task and organization setting, VDT can generate emergent organizational performance through simulating micro-level actions of, and interactions among, the actors.

Our initial VDT model was developed based on two observations about collaborative, multidisciplinary work in large, complex projects. First, organizational tasks in project organizations can be divided into two parts: the primary *production work* that directly adds value to final products, and *coordination work* that facilitates the production work. For a given project, the amount of production work usually depends on specifications of the product to be produced, and variation in its scope or volume as a function of the team's organization is thus relatively low. The nature and amount of required coordination work, however, may vary considerably, depending on how the

project team is organized—centralization, formalization, task assignment, decision-making policy, available communication tools, actors' team experience, etc. A model of how coordination work is generated and dealt with by team actors should thus be useful for researchers to understand organizational behavior of project teams and for project managers to analyze their organization's performance for better team design.

Second, although the extant organization contingency theory provides qualitative insights about the extent of coordination work given aggregated project parameters (Galbraith 1977, Thompson 1967), it does not say anything about which specific activities and actors are the source of the coordination load, and what specific steps can be taken to resolve coordination overload problems. We need an elaborated version of contingency theory with contingency factors set at more specific levels, since answering these specific questions is important for managers to be able to make effective decisions about their organizations and work processes.

Advances in computer modeling technology, such as object oriented programming and model-based reasoning techniques, have made it representationally and computationally feasible to address human coordination issues through explicit representation of tasks, actor behavior and coordination actions. Creating an effective conceptual model that can take maximum advantage of state-of-the-art computer technology is a research challenge with a high potential payoff.

In the course of developing the VDT model, we encountered a number of quite general organization modeling questions including:

- What is the appropriate abstraction level for the model so that it can capture reality at a sufficient level of detail while, at same time, avoid becoming too complex or too "realistic" to comprehend (Burton and Obel 1995)?

- To what extent should organizational tasks be explicitly represented so that actors' action, communication, and skill can be captured properly (Carley and Prietula 1994)?

- How can we validate the computational organizational model? If the model is relatively abstract, can we find ways to link the representation of, and predictions from, the abstract model to the real project data so that the model can be comparable with real projects?

In the rest of this paper, we first present our elaborated information-processing view of organizations and introduce the top-level concepts of the VDT model. In Section 3 and Section 4, we describe how VDT models organizational tasks and organizational actors, respectively, to make coordination work explicit and measurable. Section 5 describes how organization structure is defined in VDT and used as a set of variables for organizational analysis. Section 6 presents an overview of VDT system architecture. Finally in Section 7 we discuss the general organization modeling issues mentioned above in the context of model validation, related work, and our future work.

2. An Extended Information-Processing View of Design Teams

Organizations, including project organizations, need information flows to function, and strive to create efficient information flows to be effective. An organization processes information to coordinate and control its activities. Since Weber's fundamental work in the early 1900s (Weber 1924), many organization theorists have adopted an information processing view of organizations (March and Simmon 1958, Galbraith 1977). In this view, an organization is an information-processing and communication system, structured to achieve a specific set of tasks, and comprised of limited capacity, "boundedly rational" information processors (individuals or sub-teams). These information processors send and receive messages along specific lines of communication (e.g., formal lines of authority) via communication tools with limited capacity (e.g., memos, voice mail, meetings).

This information-processing view of organizations provides a foundation of our VDT model. In VDT, the information-processing view has two implications. The first is that we can model design teams as information-processing structures that are composed of *tasks* generating information to be

processed, *actors* processing and communicating information, *communication tools* linking actors for communication, and an *organization structure* that constrains actors' information-processing behavior. Figure 1 shows an overview of this information-processing structure in which, tasks, actors, communication tools, and organization structure are the key conceptual components.
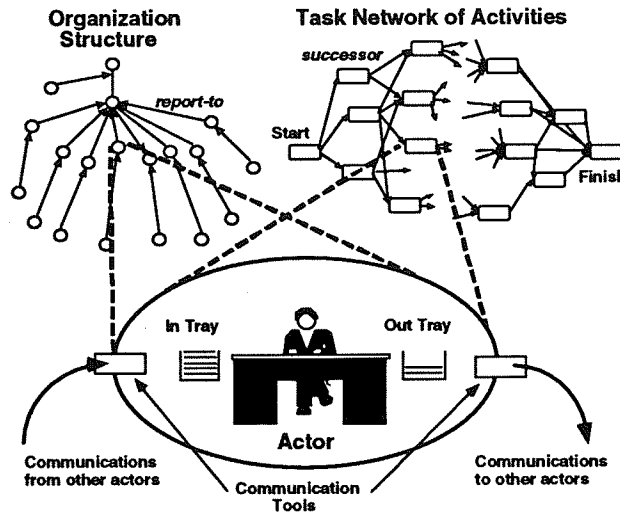

Figure 1: An Overview of the VDT Model

The second implication is that for a project design team, both primary production work (i.e., design) and coordination work (i.e., communication and decision-making carried out to facilitate design) can be viewed as information-processing, so that we can model the amount of information being processed or to be processed in terms of *work volume*[1]. This uniform way to represent the contents of organizational tasks provides a strong means for abstraction. For a given project, let the total work volume of the project be *TW*, production work volume *PW*, and coordination work volume *CW*, then we assume that

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[1] In VDT, we use *work volume* to represent the amount of information and that of the work of information-processing. Work volume is an attribute of a piece of work (e.g., an activity, a work item, a communication item) and is associated with required skill set. Work volume is expressed in units of time and represents the nominal time taken by one person with a medium level of the needed skill set to complete the work.

(1) $TW = PW + CW$

Furthermore, *PW* can be divided into two parts: originally planned production work PW_O and

production rework PW_r arising due to the failure of original production information processing.

(2) $PW = PW_O + PW_r$

From *(1)* and *(2)* we have:

(3) $TW = PW_O + PW_r + CW$

For a given project task, PW_O is given, and $PW_r + CW$ may vary depending on the characteristics

of the task and the effectiveness of the organization (i.e., project team) working on the task. The ratio

(4) $R_C = (PW_r + CW)\,/\,TW$

provides a rough measurement of coordination load relative to originally planned production work

load, and is a function of both task complexity and organization capacity. If a task is "perfectly

simple" or nearly decomposable (Simon 1969) – i.e., there is almost no associated coordination

requirement; or if the design team working on the task is composed of "perfect" designers and

managers organized in a "perfect" way–i.e., with high skills relative to task complexity (Galbraith

1977), the value of R_C can be close to 0. At the other extreme, the value of R_C can be close to 1,

meaning that the project will never finish due to endless rework and coordination.

Between the two extremes, we believe, there exists a range of the spectrum in which the variation

of R_C can be at least partially controlled by adjusting certain organization design variables. The

question here is "Can we create a model that can estimate PW_r and *CW* at a sufficient level of detail

so that we can use the model to analyze the performance of different organization designs to achieve

the best efficiency or minimum R_C?"

Our experience with VDT has shown that for routine design projects the answer is yes. For

routine design projects, the project tasks can be pre-specified and actors are highly institutionalized

such that their behavior is more professional than social, and thus relatively easy to model. In VDT, we have taken a Monte Carlo simulation approach to predict PW_r and CW. VDT simulation takes PW_o, other task variables (described in Section 3), and organization settings (described in Section 4 and 5) as input, and produces emergent PW_r and CW through simulation. At the start of simulation, each actor in VDT is assigned a position in the team organization and one or more project activities (production work) to work on, as shown in Figure 1. During simulation, an actor processes information items in its in-tray and sends processed information items to others through its out-tray via selected communication tools. The in-coming items include production work, information, and decisions received from others, whereas the outgoing items include requests for information, answers to requests, exception reports, and decisions. Besides production work, actors in VDT spend time on information exchange, exception-reporting, and decision-making. Furthermore, an actor may have to wait for decisions about how to handle certain exceptions when its supervisor is too busy to make and communicate a decision immediately. Based on this information-processing model, the coordination work volume CW in (2) and (3) can be divided into three parts: CW_{cm} for information exchange communication work volume, CW_{ct} for decision-making work volume, and CW_{wt} for waiting time. So we have

$$(4) \qquad TW = PW_o + PW_r + CW_{cm} + CW_{ct} + CW_{wt}$$

The following sections describe our models of organization tasks, actor actions, and organization structures, and show how the simulation generates emergent PW_r, CW_{cm}, CW_{ct} and CW_{wt}, based on a given organization task and project team design.

3. Modeling Organizational Tasks

Project organizations are task-driven. They have specific tasks (e.g., to design a hospital building) that must be finished by a certain time (e.g., the end of 1996) and cannot cost more than a

budgetary limit (e.g., $50 million). Usually, the top-level organizational task needs to be divided into smaller sub-tasks, called *activities* in this paper, so that they can be carried out by individual actors or small groups of actors. Activities represent primary production work (i.e., design work for a design team). As an activity is carried out by its responsible actor, coordination work may occur depending on both the work content and the type of dependency between this activity and related activities. Although project managers seek to define activities that are independent from each other, this division of tasks almost invariably creates dependencies among the activities and thus generates a need for coordination.

There are two basic requirements for a VDT task model. First, the model must capture enough detail of both work contents and activity dependencies so that both production work *(PW)* and coordination work *(CW)* can be generated. The challenge here is how to make the model simple, but still effective, across many specific types of design projects. The second requirement is to be able to map the model attributes to accessible, real project data, so that the model is comparable with real project information and the insights generated from the model are realistic. The research issue associated with this requirement is "Can we define a methodology to link real project information to the VDT task model?"

3.1 Activity Dependencies

In the organization literature, task dependencies have been considered as an important environmental measurement of uncertainty (Lawrence and Lorsch 1967; Galbraith 1977). Although this aggregated account of task dependency may be used to show how uncertain an overall organizational task is, it does not provide insights into specific dependency relations between particular activities and their impact on organizational performance, nor into what coordination mechanism may be employed to manage a particular dependency.

In VDT, several kinds of dependencies among activities are explicitly represented and treated as the sources of coordination work. Following Thompson (1967), VDT models pooled, sequential and reciprocal dependency relationships among activities.

Pooled dependency: Since we model project organizations, each activity is part of the overall project and is thus always in a pooled relation with other activities. Following Thompson, rules and standards, e.g. about how to deal with exceptions, serve to coordinate this kind of interdependency.

Sequential dependency: VDT adopts the *successor* relationship used in CPM (Critical Path Method) networks to represent sequential dependency between activities. An activity $Actv_B$ is a finish-to-start successor of $Actv_A$ if $Actv_B$ can start only after $Actv_A$ is completed. If $Actv_B$ can start some length of time after $Actv_A$ is started then $Actv_B$ is a start-to-start successor of $Actv_A$, etc.

Reciprocal dependency: VDT's task model captures two types of reciprocal dependencies. One is information related, and the other is work related. An *information related* reciprocal relation represents a mutual information requirement dependency between two activities. For example, the mechanical design and structural design activities of a building design project may be carried out in parallel. The structural designer needs spatial and weight information about mechanical equipment from the mechanical designer; and the mechanical designer may need to know the size and location of structural members to plan where mechanical equipment can be located. *Work related* reciprocal relation describes whether an exception (e.g., design change, error detected) generated within one activity will have any impact on the work of another. For the above example, if a design change is made in the mechanical design, then the structural designer may have to choose a different beam size; similarly, if the structural design is changed, then the mechanical design may have to be reconsidered because equipment sizes and/or locations may need to be changed. The VDT coordination load modeling methodology captures these reciprocal relationships through a series of manual analyses of the requirements and solutions of each (Christiansen 1993).

3.2 Production and Coordination Processes

The activity dependency relationships described above explicitly represent the potential need for coordination work but do not define *when* and *how much* coordination work is needed. In VDT, the amount and the content of production work are defined explicitly as attributes of activities. Coordination work is implicit, and generated stochastically by VDT based on activity complexity, uncertainty, and task-actor skill match.

It has been pointed out that the level of abstraction of an organization model is determined by the modeling purpose (Burton and Obel 1995). Our purpose for modeling is to predict emergent coordination work volume *(CW)* and rework volume *(PWr)* as dependent variables of both task situation and organization design. To achieve this goal, our process model is centered around describing *how much time is needed for a given project organization to finish a specified task* rather than explicitly treating design as a knowledge-based, problem-solving process. From the information-processing view of organizations described above, we assume that

- An activity representing production work has a preset amount of work described by *work volume* and *skill requirement* (see footnote 1)

- While processing production work of an activity, an actor will probabilistically need to communicate with relevant actors to get required information. The frequency of required communication depends on *reciprocal dependency* with other activities and the activity's level of *uncertainty*. Communications may take place via informal information exchange between two actors or in formally scheduled meetings among two or more actors.

- While processing production work of an activity, a small portion of the activity (typically one day's work), called a *work item,* may fail stochastically. The failure probability of a work item, called *verification failure probability*, depends on the *complexity* of the activity and the match between the activity's *skill requirement* and its responsible actor's skill level. This work failure

will trigger a process of exception-report and decision-making. Failed work items need rework to maintain *production quality* described below.

An activity in VDT is defined by its *work volume, skill requirement, complexity* and *uncertainty,* and by its relationships to other activities. These attributes define not only the production work but also the derived coordination work needed to facilitate the production work. Moreover, depending on how the project team is organized and tasks are assigned to actors, the required volume and locus of coordination work (e.g., exceptions and decisions) will be different, and consequently the time needed to carry out the coordination work may vary.

While task complexity and uncertainty are treated in the organization literature as variables describing the task environment faced by an organization, complexity and uncertainty in VDT are associated with activities and affect the volume of both production work and coordination work. This change in focus from an abstract, overall task to specific activities allows us to analyze the lower level contingency factors (e.g., making two sequential activities parallel) that are needed for managers to analyze and design their project organizations.

3.3 Process Efficiency and Quality

A VDT simulation produces several outputs, including measures of the amount of production work PW and coordination work CW, and thus the combination of the two, total work TW. Generally, for a given project, the smaller the TW the more efficient the project team, since fewer person-hours are needed to finish the task. In VDT, we measure the project direct cost efficiency E_c and time efficiency E_t

$$(5) \qquad E_c = PW_o \, / \, TW;$$

$$(6) \qquad E_t = PD \, / \, SD$$

where PD is planned project duration and SD simulated project duration. For a given project, the

bigger the values of E_c and E_t are, the more efficient the project is. From equations (1), (5) and (6), it is obvious that excessive coordination (CW_{cm} and CW_{ct}) and waiting (CW_{wt}) will decrease the project efficiency.

For an organization design A and its redesign B, the differences

$$\Delta E_c = E_{cB} - E_{cA} = PW_O * (TW_A - TW_B) / TW_A * TW_B \quad \text{and}$$

$$\Delta E_t = E_{tB} - E_{tA} = PD * (SD_A - SD_B) / SD_A * SD_B$$

represent the impact of the organization redesign on the process efficiency.

Besides efficiency, VDT also measures process quality. Since VDT does not model the engineering content of products, it cannot judge the quality of the final product. Instead, we measure process quality or effectiveness in terms of how well task failures and coordination requests are dealt with by actors.

When a task fails, the organization may or may not detect the failure. If the failure is detected, the organization can respond in ways ranging from completely reworking the failed activity and all related activities to ignoring the failure and proceeding directly with related concurrent tasks and future tasks. We take the position that detection of task failure is not in itself an indicator of poor quality; rather it is the organization's response to detected failures that determines the *verification quality* Q_v of its work processes. We view the proportion of detected failures that get reworked as a measure of the quality of an organization's work processes. Let PW_f denote the total failed production work volume. Then the verification quality can be expressed as

$$(7) \qquad\qquad Q_v = PW_r / PW_f$$

Another aspect of process quality is the extent to which requests for coordination among interdependent actors are attended to. If actors are so busy that requests for coordination lie unattended in their "in-trays" then interdependent tasks will receive inadequate coordination. The

proportion of attended requests for coordination will thus be viewed as a second measure of process quality—*coordination quality, Q_c*—that VDT can generate. Let $(Cw_{cm_{req}} + Cw_{ct_{req}})$ denote the total work volume of coordination requests generated from the simulation and $(Cw_{cm_{att}} + Cw_{ct_{att}})$ the work volume of coordination requested that were actually attended to by the receivers during the simulation. Then the coordination quality for a simulation can be expressed as

(8) $$Q_c = (Cw_{cm_{att}} + Cw_{ct_{att}}) / (Cw_{cm_{req}} + Cw_{ct_{req}})$$

The notion that the quality of an organization's work processes affects the quality of its ultimate product (in this case, a capital facility) has been demonstrated convincingly by several researchers in the facility engineering domain (Fergusson 1993). During the 1970s and 1980s, US manufacturing and service organizations changed their focus from measuring the quality of completed products to reducing the variance, and hence enhancing the quality, of work processes. From an engineering viewpoint, we argue that VDT's approach to modeling process quality is a logical next step up the chain of quality control--i.e., we propose to measure the quality of the organizations that determine the quality of work processes that, in turn, determine the quality of its products.

3.4 Link to Real Projects

Mapping between an organization task model and accessible real project data is the second requirement described above. VDT's activities are described in terms of complexity, uncertainty and interdependency. Therefore, in order to simulate a real engineering project in VDT and relate the simulation results to real project performance, a link between these task properties and real project data is needed. As part of the VDT task model, Christiansen (1993) developed a methodology that maps real project information into VDT task model through a set of well defined engineering management analyses. This model uses an adaptation of the Quality Function Deployment (QFD) (Hauser and Clausing, 1988) and Design Structure Matrix (DSM) (Gebala and Eppinger 1991)

techniques to derive interactions between requirements and engineering solutions, dependence among

design activities in an activity precedence network, sequence-induced activity uncertainty (an activity

needing information from one that starts later has increased uncertainty) and relations between

members of the project team. A detailed description of the process of modeling coordination load can

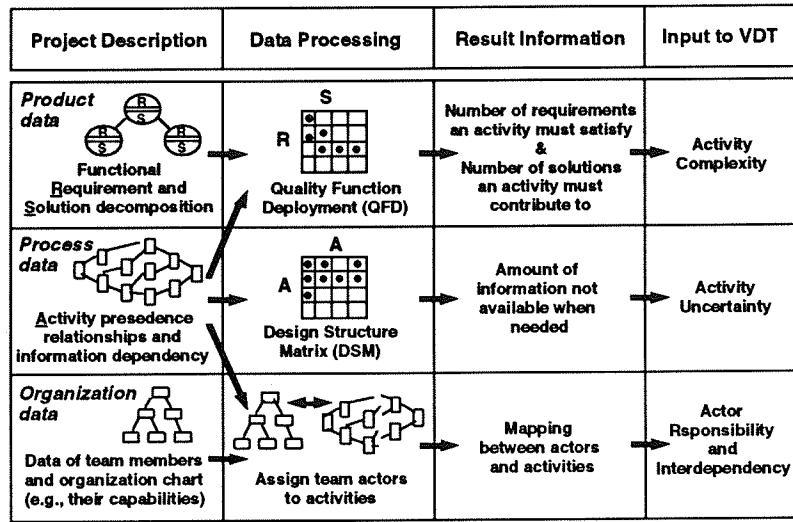be found in (Christiansen, 1993). Figure 5 shows an overview of this model.

Project Description	Data Processing	Result Information	Input to VDT
Product data Functional Requirement and Solution decomposition	**S** **R** Quality Function Deployment (QFD)	Number of requirements an activity must satisfy & Number of solutions an activity must contribute to	Activity Complexity
Process data Activity presedence relationships and information dependency	**A** **A** Design Structure Matrix (DSM)	Amount of information not available when needed	Activity Uncertainty
Organization data Data of team members and organization chart (e.g., their capabilities)	Assign team actors to activities	Mapping between actors and activities	Actor Rsponsibility and Interdependency

Figure 2: Process of transforming real project data descriptions into VDT inputs

4. Modeling Micro-Level Behavior of Actors

Because of its aggregated view of organizational information processing, the Galbraith framework

says very little about how particular actors' attributes influence their information processing behavior.

We model project teams as comprising of a set of actors that can be either individual managers and

engineers, or small, sub-teams with undifferentiated members. Actors in a team are the entities that

perform work and process information. By disaggregating organizations into actors and explicitly

modeling their behavior, VDT generates emergent organizational behavior and performance through

simulating actors' actions and interactions.

In VDT, actors have two basic behaviors, *attention allocation* and *information processing*.

During simulation, actors perform *production* and *coordination* actions as composites of these two

fundamental behaviors.

4.1 Fundamental Actor Behaviors

Attention and time are scarce resources in individuals and, thus, also in organizations. Neither all alternatives nor all the consequences of any one of them can be known (March and Simon 1958). In VDT, we operationalize this classic behavioral view of organizational problem solving at the actor level via two micro-assumptions: an actor *attention allocation assumption* and an actor *capacity allocation assumption*.

4.1.1 Attention Allocation

Attention allocation in VDT is related to how an actor chooses which task to work on, when it faces alternatives. Based on observations of design team managers conducted by Cohen (92), VDT models attention allocation based on the following assumption.

Actor Attention Allocation Assumption:

- *An actor has an "in-tray" and an "out- tray" (see Figure 1); all incoming information-processing requests, including work-items and coordination requests, are stored in the in-tray waiting for the actor's attention.*

- *Each item in an actor's in- tray has certain priority and specific time of arrival. The actor chooses one item at a time from the in-tray stochastically based on either priority, or time of arrival, or random selection.*

The simple attention allocation rule proposed by Cohen, based on his observations of several multi-disciplinary engineering projects, was that among all the item selections an actor made from its in-tray, 50% is based on priority of the items, 20% is based on the length of time in the in-tray (i.e., FIFO); 20% is based on the most recent item in the in-tray (i.e., LIFO), 10% of those selections are random. In VDT, priorities are measured on a scale from one to nine, with nine being the highest.

Direct work has priority 5, a request for information from a reciprocally interdependent peer has priority 5, and a decision about how to handle an error (See section *.*) has priority 8.

Although our attention allocation assumption is based on limited observations, it is consistent with the notion of *bounded rationality*, a key concept in understanding organizational behavior (March and Simon 1958). Actors do not always have enough time and/or effective tools to make rational choices (i.e., based on priority) about what to work on. In VDT, the impact of this bounded rationality is that a project manager does not always pay attention to the most urgent exception reports, and designers may miss important requests from peers for information. For example, despite the high priority of the an exception report, a project manager may not have a chance to attend to the report within a reasonable length of time. The reporting actor waits for a certain period of time, and then makes a decision about how to handle the exception in a "delegation-by-default" mode. Overloaded managers will cause more delegation-by-default decisions by their subordinates. Since our default cultural assumption is that lower level actors are less likely to understand the need for rework, this will lead to a reduction in the percentage of errors that receive rework, and hence to lowered process quality. VDT captures this intuitively correct emergent behavior dynamically through simulation, based on its attention allocation model.

4.1.2 Information Processing

As described above, VDT models both production (i.e., design) and coordination processes in terms of information-processing. An activity has certain amount of work volume to be processed. During activity processing, coordination work may be generated. In VDT, we model information-processing based on the following assumption.

Actor Capacity Allocation Assumption:

- *An actor has certain information-processing capacity determined by its skill type (e.g., civil, mechanical), skill level (e.g., high, medium or low), and allocable time (e.g., two days or one*

week).

- *An information processing work item with certain work volume, whether production work or coordination work, can be processed and completed by an actor if the actor allocates sufficient capacity to the work item.*

For a given actor A working on activity B, we assume that the actor has a certain information processing speed IPS_{AB} that is determined by actor A's skill set, activity B's complexity, and the match between A's skill set and B's skill requirement, then actor A's capacity can be expressed as

$$(9) \qquad CP_{AB} = IPS_{AB} \times \Delta T \qquad (\Delta T = A\text{'s allocable time for } B)$$

If the original planned production work volume activity B is PW_{OB}, then, ideally (assuming no coordination is needed and no exception will occur), actor A can complete activity B if actor A allocates enough capacity CP_{AB} such that

$$(10) \qquad CP_{AB} >= PW_{OB}$$

or allocates enough time ΔT such that

$$(11) \qquad \Delta T >= PW_{OB}/IPS_{AB}$$

This capacity allocation assumption has three implications: 1) Information processing not only needs attention but also takes time; 2) The information content of activities and work items is captured by *skill requirement;* and the information processing volume by its work volume; 2) An actor has only limited capacity to allocate.

4.2 Actors' Micro-Level Actions

While the fundamental actor behaviors described above represent task-independent actor characteristics, actor actions are carried out in a specific task context (e.g., production or coordination) to achieve certain task goals (e.g., to complete the project). Actor actions in VDT are centered around how communication items are generated, sent, received, and processed.

4.2.1 Information flow and Communication Tools in VDT

Like in real organizations, information flows constitute the dynamic *life* of the virtual organizations modeled in VDT. In the VDT model, flowing information items are called *communication items*. A communication item can be a *work item* representing a small piece of product work, or a coordination item being either *information exchange, exception,* or *decision.* Communication items received in an actor's in-tray have the attributes of *sender* and *receiver, priority,* and *time of arrival.* During simulation, work items flow from activities to actors' in-trays; and a series of communication items are generated by actors and sent to other actors' in-trays using communication tools. Figure 3 provides an overview of VDT information flow.

In real organizations, information does not flow in a vacuum. Communication technologies and media are employed to carry information between actors. In VDT, we explicitly model "communication tools" such as face-to-face-conversation, telephones, voice mail systems, facsimiles, and e-mail. Following Nass and Mason (1990), VDT models communication based on a number of functional attributes: *synchronicity* (synchronous, partial, asynchronous); *cost* (low, medium, or high); *recordability* (whether or not a permanent record of the communication is available routinely); *proximity to user* (close or distant); *capacity* (number of messages that can be transmitted concurrently); and *bandwidth* (low, medium or high) representing the capability of the tool for communicating information represented in each of the *natural idioms supported* (i.e., text, schematics, etc.).

For example, voice mail is partially synchronous, low cost, recordable, close proximity, high capacity for concurrent transmission, and high bandwidth for spoken voice, but low bandwidth for text, schematics or geometry. Telephone is similar except that it is synchronous, not recordable, and has low capacity for concurrent transmission. In contrast, electronic mail is asynchronous, has high bandwidth for text and has high capacity for concurrent transmission. Thus, a manager who wants to

send a textual communication to a large number of individuals simultaneously will choose a tool such as voice mail or electronic mail rather than the telephone. In contrast, the need for synchronous communication (arising from priority) will encourage the use of the telephone as opposed to the other two tools; and a communication to coordinate dimensions or layout of components will likely use facsimile or CAD file sharing, rather than telephone.

In the following, we explain how different communication items are generated, attended to, and communicated to other actors through communication tools in different action cycles (See Figure 3)

4.2.2 Actor Action Cycles

In the VDT model, actors process both direct or production work and coordination work through various action cycles. An action cycle for an actor is defined as the process, starting from picking up an item from the actor's in-tray and finishing at the point when the actor is ready to turn its attention to its in-tray again (i.e., to pick up the next item). Depending on what is picked up, an actor will go through one of the action cycles described below.
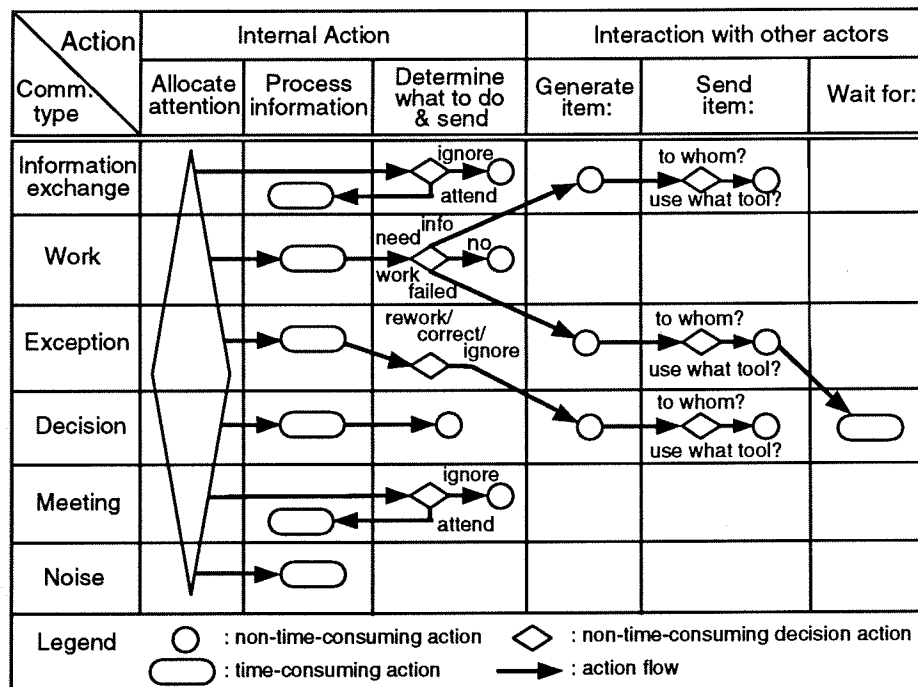

Figure 3: Actor Action Cycles

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Processing direct work :

As shown in Figure 3, action cycles start from attention allocation. When an actor picks up a direct work-item, A, based on it's attention allocation rules, then a direct work process starts. The actor first allocates ΔT_A to complete the work-item. After the work item is completed, the actor checks, stochastically, whether there is a need to communicate with reciprocally related actors; and whether there is an error in the completed work-item. An error or exception in the work-item occurs if the completed work item fails to pass a verification check. Like many aspects of VDT, work item verification is performed stochastically using Monte Carlo simulation.

If there is a need to communicate, then the actor will spend a certain amount of time to generate a *Request-For-Information* item, and send it to the actors whose responsible activities are reciprocally dependent upon the current activity. If the work-item is considered to have failed in verification, then the actor will generate an exception item, determine who should be the decision-maker for this exception based on organization configuration and centralization policy, send the exception to the appropriate decision-maker, and then wait for the decision. Waiting is terminated when 1) a decision from the responsible supervisor (to ignore the error, do a quick fix, or completely rework the failed work-item) arrives in the actor's in-tray, or 2) the waiting time reaches $\Delta T_{wait_{max}}$, the time set up by the organization for "delegation by default" decisions.

It is important to note that, while processing a work-item, an actor may be interrupted by in-coming communication items. In this case, the actor will re-allocate its attention, with the interrupted work having a higher priority than it had before. If the interruption has a higher priority than the interrupted work-item, or if the actor uses arrival time or random selection to choose its next work-item, then the interrupted work item is discontinued and placed back into the in-tray, with a priority equal to its initial priority and a revised work volume equal to its remaining work volume.

Information exchange:

If actor's attention allocation process "selects" an information-exchange item, then the actor will decide whether to respond to the item or not. This decision is influenced by the organization's "matrix strength" (Davis and Lawrence 1977) described below. Since actors in "weak" matrix organizations are not co-located, they tend to rely more on formal meetings to achieve coordination. Actors in weak matrix organizations, therefore, tend to prefer attending scheduled meetings over *ad hoc* information exchange. In contrast, co-located actors in "strong" matrix cultures learn to coordinate informally, and are thus more likely to decide not to attend formal coordination meetings.

If the actor decides to respond to the communication, then it will spend a certain amount of time to process the information. If the decision is not to respond, then the information-exchange item will be discarded and the number of non-attended communications will increase by 1.

Exception and decision-making:

When an actor picks up an exception, it will spend a certain amount of time to make a decision. In VDT, we assumes that a manager has three choices for the decision: instruct the actor who referred the exception to completely *rework* the failed item, to partially *correct* the item, or to *ignore* the failure. Again, which choice to make is determined stochastically, depending on the culture of the organization. We assume that higher level managers have a more global understanding of the consequences of work-item failure on the activities performed by other actors, and are thus more likely to require that rework be performed when failures are detected. While this assumption seems to hold for most of the facility engineering organizations we have studied, the opposite turned out to be the "rework culture" for a software organization we modeled in which programmers wanted to correct all known bugs, while managers wanted to ship software to meet deadlines, even with known, non-serious bugs. This kind of behavioral assumption for actors can be directly modified by a user of VDT.

Processing decisions:

Processing a supervisor's decision about how to handle a verification failure is a relatively simple action cycle. After picking up the decision item, an actor spends a certain amount of time to process the decision. Then, if the decision is *rework*, the failed work-item will be put back into the actor's in-tray; if the decision is to *correct*, then the failed work-item will be put back into the in-tray with half of its original work volume; if the decision is to *ignore*, the failed work-item will be discarded, and the actor proceeds with a new round of attention allocation and information processing.

Attending meetings:

VDT models formal communication among actors in regular meetings. Regular meetings are set up before simulation. During simulation, actors who are supposed to attend a meeting receive meeting notice before each meeting. Notices of formal meetings normally have higher priority than ordinary work-items. After picking up a meeting notice, an actor may decide to attend or decline the meeting depending on the level of formalization of the organization. For highly formalized organizations, actors are more likely to attend formal meetings but less likely to respond to requests for information exchange; and conversely. If an actor decides to attend the meeting then it will spend the required time in the meeting. If the actor's decision is not to attend the meeting, the actor will ignore the meeting notice. If an actor misses a scheduled meeting, then its probability of having exceptions (VFP) for future work goes up, since it may have missed important coordination information.

Processing noise:

The current version of VDT can model only one organization or project team at a time. Thus it cannot explicitly capture interactions among different projects being performed simultaneously by an organizations. To consider the influence of other projects or of outside organizations unconnected with the subject project (e.g., life insurance vendors), VDT models *noise*. Noise in VDT is defined as

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any communication item that is not related to the current project. For example, for a building design project, designers involved in the project may receive information from their functional departments that does not have any relation to the current project. As part of the environment, noise can impact organizational performance by consuming the attention and time of actors.

5. Organization Structure

One of the fundamental questions to be answered by organizational modeling is how changes in organization structure affect an organization's performance. In VDT, we chose to address this question by modeling, through simulation, how organization structure variables control or influence actors' micro level actions, and consequently the organization's emergent performance, for a given task. An organization structure in VDT represents a pattern of decision-making and communication among the actors who perform production work to achieve project goals (Baligh and Damon 1980; Baligh and Burton 1981; Malone 1987). An organization structure affects organizational performance by enforcing constraints on actors' decision-making actions through control structure and centralization policy, and communication actions through communication structure and formalization policy.

5.1 Control structure and Centralization

A control structure is defined by *Supervise/Report-To* relationships among actors. It is often represented as an organization chart. VDT represents control structures as either flat hierarchies or multiple level hierarchical structures. *Supervise/Report-To* links determine with whom actors should communicate up the chain of supervisors when a work-item fails; and the *level of centralization* determines at what level of the hierarchy a decision about the failure should be made.

For example, in a highly centralized organization structure, most decisions are made at the top of the control structure by project managers. Thus, when an engineer detects an exception, the actor

reports the exception to the sub-team leader, and the sub-team leader passes the exception to the project manager for a decision. As a first order effect, this leads to higher quality rework decisions, given our cultural assumption about facility project organizations. However, if high level managers become backlogged so that they do not attend to decide about exceptions fast enough, delegation by default results and thus quality may be less than for medium levels of centralization where middle managers can make rework decisions, with an intermediate degree of conservatism, in time. In contrast, in a decentralized organization, decisions for many exceptions are made by the sub-team leaders or even by the engineers themselves. Therefore, in a decentralized organization, fewer communications are sent to and processed by high-level managers. Decentralization thus generally saves time and cost, since it reduces both the need for communication and the need for information processing. Decentralization, however, may decrease process quality when lower level actors make less conservative rework decisions, because of their more limited perspective on the overall project. Again, VDT replicates this commonly observed organizational phenomenon, through its attention allocation and information processing actor micro-behavior models. In particular, it can predict when centralized decision making may lead to lower quality because of delays in handling exceptions caused by an overloaded project manager.

5.2 Communication Structure, Formalization and Matrix Strength

Besides the control structure, VDT represents communication structure by *coordinates-with* relationships among actors. The communication structure of an organization defines who can talk to whom. In the current VDT model, we assume that communication needs for information exchange between designers are purely task dependent (vs. decision-requests following work-item failures, which depend on organization structure and centralization policy). Coordinates-with relationships among actors are derived directly from the reciprocal relationships among their responsible activities. For example, if activity A is reciprocal-with activity B, then their responsible actors, Actor-A and

Actor-B, are linked to each other by a coordinates-with relation.

While a communication structure defines who can talk to whom, the level of formalization of the organization defines how frequently they will send communications to each other, instead of communicating through formally scheduled meetings. A more formalized organization relies on scheduled formal meetings for coordination and reduces the frequency of informal inter-actor communications; and conversely.

Whereas level of formalization affects the frequency of requests for informal coordination, an attribute of organization culture—*matrix strength*—affects the likelihood that a request for a formal meeting or an informal information exchange will be attended to. As described in Section 4.2.2, actors in "weak" matrix organizations tend to prefer attending scheduled meetings over *ad hoc* information exchange and those in strong matrix cultures are more likely to decide not to attend formal coordination meetings. We view matrix strength as an attribute of organization culture since it reflects actors' preferences for formal versus informal information exchange.

6. The VDT Simulation System

The VDT model was implemented as an object-oriented, discrete event driven simulation system. Activities, actors, communication tools, work-items, exceptions, decisions, and information exchange items are all implemented as objects (i.e., data structures that store both the state and the behavior of the concepts they represent). As shown in Figure 4, the VDT system has a *Graphic Organization Editor* for graphically entering and changing task and organization data which is converted into an *Organization and Process Description Language (OPDL)* based ASCII. The core of VDT is a *Simulation Engine* for simulating actors' micro-level actions. A *Graphic Organization Monitor* is used to display actors' micro-level variables during simulation, e.g., number of items in an actor's in-tray; number of exceptions that were generated, reworked, and ignored; change of actors' verification failure probability. VDT has a set of *Behavior Matrices* represented in OPDL that describe the

underlying assumptions about actors' behavior and the organization's culture.

The VDT system was developed based on IntelliCorp's Kappa™, an object-oriented programming environment. VDT runs on both Sun Workstations under Unix and PCs under Windows. A single run of VDT on a Pentium (100MHz) PC for a large project (50 activities, 20 actors, one year project duration, one day work-item size) generates upwards of a million simulation events and takes about 15 minutes.
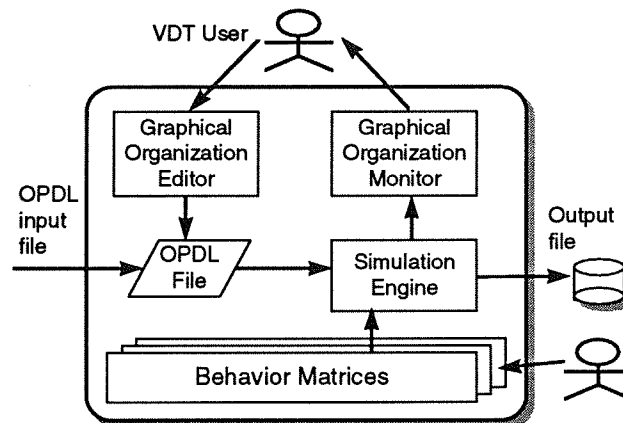

Figure 4: VDT System Architecture

7. Discussion

7.1 Model Validation

Model validation is an important part of computational organization modeling. In developing the VDT model, we had several specific questions related to validation: Does the simulation result make sense (i.e., does it have "face validity")? Does the model capture the underlying features or characteristics of project organizations (i.e., does it have construct validity)? Can we can generate theories based on the model (i.e., does it have concept validity)?

Following previous work on the validity issue in social science by Campbell and Stanley (1963) and Cook and Campbell (1976), we have addressed the above questions through an extensive testing of both internal (or content) validity and external (or construct) validity.

In VDT, internal validity is related to whether relevant and only relevant concepts (or representation constructs) are included in the model, and whether the concepts are correctly implemented. Burton and Obel (1995) point out that the purpose of modeling should guide conceptualization so that simplicity and realism can be balanced. Our purpose for modeling is to explicate the performance impacts of lower level (i.e., more specific) contingency factors: e.g., the impact of introducing a specific communication tool (e.g., voice mail), adding of reciprocal information interdependency between certain activities, or changing the skill level of an actor who is the bottleneck in a project.

In the light of information-processing view of organization, we conceptualized fundamental task processes and actors' micro-level behaviors based on our experience with, and observations of, engineering project organizations. We mapped organizational variables (e.g., level of centralization) into actor behavioral constraints (e.g., selecting the decision-maker for exceptions based on the level of centralization) in accordance with the organization contingency theory (Galbraith 1977, Thompson 1967). Internal validation was carried out through a systematic testing process using intentionally designed small projects. Since our model represents an elaborated version of organization contingency theory, its aggregate simulation results should be consistent with contingency theory predictions. Therefore, we compare aggregate simulation results with theoretical predictions to evaluate the model's internal validity.

VDT's external validity is related to how well the model's predictions agree with observable real project information. Our external validation was based on case-studies. We have conducted more than 20 case-studies of different kinds of projects, from a three-year petroleum refinery design project (Cohen 1992), to a 12-week software development project (Chachere *et al.*1994), to validate VDT's predictions externally. The case-studies conducted so far have been retrospective. We collected information about an already completed project through a set of structured interview processes

(Christiansen 1993), and created a VDT model for the project. After confirming that the simulation results for the original project setting matched well with the actual data for the project (e.g., real project duration and cost), we then introduced variations such as adding specific communication tools (e.g., voice mail) for actors to communicate with each other, or changing the decision policy to more (or less) centralized. We showed the simulation results of these variations to the real project managers and/or domain experts of the project for evaluation. In general, we found good qualitative agreement between real project data, VDT predictions and predictions of the underlying theory. Validation results for these examples can be found in (Levitt *et al* 1994) and (Christiansen 1993).

7.2 Related work

Our research on VDT has been inspired by a number of previous computational organization models. Cyert and March's (1963) pioneering simulation of department store and can manufacturing organizations provided early examples of the theoretical insights that could be gained from simulating organizational decision making in fine-grained detail.

The "Garbage Can" simulation model (Cohen *et al*, 1972) of organization anarchies is quite relevant to VDT. First, our capacity allocation assumption is similar to the Garbage Can model's energy allocation assumption. Second, the way Garbage Can uses structures to restrict access between problems and solutions is similar to the VDT organization structure that constrains actors' access to activities and their exceptions. The difference between the two framework is that VDT models project organizations with clear goals and well-understood technologies rather than "organizational anarchies".

Burton and Obel's (1984) simple but elegant model of M-form and U-form organizations was more of a macro contingency theory model than VDT, but it provided important theoretical insights and continues to inspire us to simplify future versions of VDT through ongoing sensitivity testing of its various behavioral parameters.

Masuch and Lapotin's (1989) AAISS system showed the use of non-numerical computing paradigms to model organizational decision making in clerical tasks. They showed the ability to model subtle effects such as the degree of actor commitment, i.e., an actor's willingness to perform a task rather than delegate it. Carley and her colleagues (1992) developed the Plural-Soar model in which actors can learn and communicate with each other. Like these models, VDT uses non-numeric representation of attributes and reasoning together with numerical summation of duration. Unlike these models that model simple organization problems (i.e., clerical tasks, and warehouse tasks) at a relatively detailed level (i.e., reasoning about tasks), VDT models complex organizational tasks (e.g., refinery design) at a relatively abstract level (i.e., stochastic choices on tasks).

Our experience with VDT has shown that, for our purposes, developing a detailed task model is important for organization modeling (Carley and Prietula 1994). The level of detail at which to model both tasks and actors' reasoning depends on complexity of the task, modeling purposes, and available modeling technologies (Jin and Leviit 1993). For the engineering project organizations modeled by VDT, creating a task model to the level of detail of those in Plural-Soar (Carley *et al.* 1992) and I-Agents (Jin and Levitt 1993) is almost impossible due to the complexity of the task. On the other hand, a simple task model like that in "Garbage Can" is too abstract to make coordination work explicit and activity-dependent. We see the VDT task model as lying between these two "extremes", and find it to be adequate for modeling engineering project organizations.

7.3 Future work

Our current research is moving in two complementary directions. One is more theoretical: using the current VDT model, we are attempting to understand the "information flow dynamics" of work processes "flowing through" organizations, by looking more deeply into the roles of interdependence among activities and the mechanisms of coordination. We are currently designing a set of simulation experiments in which VDT will be used for "intellective" simulation, i.e., quasi-realistic models of

organizations in which values such as centralization, actor skill levels, etc., are ranged across their full spectrum of possible values (Burton and Obel, 1995). By conducting many simulation runs of quasi-realistic organizations, while varying one or two attributes of activities, actors or organization structure, we hope to identify non-dimensional parameters of information flow associated with work processes in organizations that can be used to classify different information flow regimes (akin to the way that the non dimensional Reynolds number is used in fluid mechanics to identify laminar vs. turbulent fluid flow regimes). In similar vein, a system like VDT could be used to test some of the original ideas about the effectiveness of alternative coordination approaches for handling different types of interdependency first proposed by Thompson (1967) and extended by Malone and Crowston (1991).

The second direction is a natural extension of the current VDT framework: we plan to add the capability for explicitly modeling multiple organizations (i.e., project teams) working on interacting projects so that the VDT model can be applied to model enterprises operating in a changing technological environment. This extension of scope will allow us address issues related to management of matrix organizations and design of virtual corporations (Davidow 1992) that operate over the Internet and cross the boundaries of time zones and countries.

8. Acknowledgment

current students to implement their ideas as "executable symbolic models." Rich Burton has been a frequent and always constructive critic of the VDT research program; his guidance has moved us towards clearer formulation of key theoretical issues as we proceed. Gaye Oralkan and Lars Christensen provided valuable comments as "alpha reviewers" of our manuscript.

We dedicate this paper to the loving memory of Larry Rosenberg, for his inspired creation and stewardship of NSF's "Information Technology and Organizations" program, and for encouraging us to persist in trying to exploit computational modeling to develop a new micro-contingency theory of organizations.

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