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## Evaluating organisational readiness for virtual collaboration

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## Aligning Strategies in the Virtual Organisation

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### Abstract

*This paper reviews the literature in relation to virtual organisations and virtual organising, from this, the authors develop two instruments to measure the espoused readiness of the organisation to collaborate virtually (external strategies) and the actual preparedness to operate virtually (internal strategies). The use of the instruments and implications for the future are discussed.*

### Key Words

Virtual Organising, Virtual Organisation, Virtual Readiness, Virtual Preparedness

### Introduction

This paper endeavours to clarify some of the concepts related to the virtual organisation and to move away from the definition of a 'virtual organisation' as one with few or no tangible assets, existing in virtual space created through Information Communication Technologies (ICT) (Warner & Witzel, 2004). The authors focus on the concept of an organisation which is 'virtually organised' employing ICT for the majority of its communication, asset management, knowledge management and customer resource management, across a network of customers, suppliers and employees (Venkatraman and Henderson, 1998). The authors consider the concepts of virtual organisations and virtual organising; develop instruments which can be used to evaluate organisational readiness to exploit virtual networks and operational preparedness to act as a virtual organisation. The instruments can be used initially to measure the value of virtual models to the organisation and then reapplied to measure the extent to which these values are actually embraced.

### Virtual Organisations

Extensive review of the research literature provides myriad descriptions such as virtual organisation (Mowshowitz, 1986), virtual company (Goldman & Nagel, 1993), virtual enterprise (Davidrajuh, 2003; Hardwick et al., 1996), virtual team (Lipnack & Stamps, 1997), virtual factory (Upton & McAfee, 1996), virtual organising (Venkatraman and Henderson, 1998), hubs (Friedheim Jr, 1999), clusters (Dearlove, 2001) and relationship enterprises (Walters, 2000). The most recent literature even makes a

distinction between the virtual organisation and organisational virtualisation. Breu & Hemingway, (2004) claim that previous literature pertaining to virtual organisations focuses on organisational design (Chesborough & Teece., 1996; De Sanctis & Monge, 1999; Cramton, 2001; Griffith et al., 2003) while in contrast organisational virtualisation addresses the transition from the traditional bricks-and-mortar to a virtual organisation (Boudreau et al., 1998; Dutton, 1999). Additionally the authors address the problem from two perspectives; inter-organizational and intra-organizational. Generally the literature considers only the integration of these two forms (Travica, 2005). The authors of this paper consider this to be a vital distinction and further, one that should be addressed in this research.

Based on a literature review encompassing work from 1986 to 2005, there seems to be one point of commonality: the development of the virtual organisation continues to be a focus of organisations seeking competitive advantage in increasingly global marketplaces. (Travica, 2005; Lundquist, 2004). The literature was selected on the basis of specific relevance to the concept of the virtual organisation.

The common themes in the literature selected seem to be the concept of organisations being compelled to consider their **degree of virtuality**. Even though there has been a proliferation of terminology all authors appear to agree that ICT is a prerequisite, facilitator and even the core of the new emerging virtual organisation paradigm (Burn et al., 2002; Franke, 2000). A view supported by Talukder, (2003) who believes that the virtual organisation is a non-traditional, interconnected and customer responsive organisation which mainly operates through ICT in the global market.

The virtual organisation forges temporary links among otherwise independent entities that add value to an economic system (such as the supply chain of a large manufacturer). These virtual links arise and dissolve as needed to reduce transaction costs, increase efficiency and respond more quickly to the needs of customers and initiatives of rivals (RAND, 2004). Organisations in the public and private sector alike face ongoing pressures to become more flexible and responsive to change, and are looking increasingly to virtual forms of organisation to reduce organisational slack, facilitate cross-functional learning, focus

on core competencies and lower costs (Dutton, 1999).

Partnerships in virtual markets are temporary alliances of enterprises that come together to share skills and resources in order to attend a business opportunity and whose cooperation is supported by computer networks (Vlachopoulou & Manthou, 2003). Partnerships in a virtual environment are enabled by sophisticated ICT that makes business information transparent, seamless and within reach (Folinas et al., 2001). ICT enables the virtual organisation by mediating the dynamic assignment and coupling of requirements with the resources (Kishore & McLean, 2002).

The virtual organisation of the future will be much more dynamic and sensitive to the need for tuning operational parameters of the enterprise as a whole, optimising the whole chain of value creation (Walters, 2004). Enduring virtual organisations or enterprises do not simply appear, they are structured alliances that are based upon an acceptance that no one organisation will possess all of the capabilities or competencies required for success (Kay, 2000). Virtual companies, particularly those with strong consumer offerings will define themselves by the services they offer customers via the unified platforms of voice, video and the web (Lundquist, 2004).

Organisations who exploit the potential to develop their own 'automated network' are variously described as virtually organising or virtual organisations. Virtualisation allows one organisation to appear as many or many to appear as one, becoming increasingly adaptive, focussing on dramatically improving the speed and economics of business change to meet new market conditions (Yockelson, 2004).

Virtualisation is an approach to ICT that lets businesses pool resources so utilisation is optimised and supply automatically meets demand (Bittman, 2004). The authors contend that optimisation relies on both internal preparedness and external readiness i.e. how effectively organisations manage two distinctly different dynamics; their degree of external readiness to collaborate virtually (inter-organizational) and their degree of internal preparedness to operate more virtually (intra-organizational).

This viewpoint is supported by Robey et al., (2000) who recommend using ICT to improve an organisations efficiency of, and ability for gathering and sharing information across geographical (external) and functional (internal) divides, enabling greater horizontal and vertical

connections among employees and corporate resources. Sharing information across geographical divides could be expressed as a readiness to collaborate while functional divides refer more to internal capabilities and could be expressed as operational preparedness.

Most of the literature reviewed for this paper does not appear to support a distinction. An example is the Total Environment for Managing Product Life-cycle information and the Enterprise's people, processes and Technology (TEMPLET) model which does contain enabling dimensions, but is nevertheless very broad comprising both internal and external categories; technology, information management, process and organisational structure (Meister, 2000). The authors focussed on identifying literature that enabled an evident distinction to be made.

The Readiness and Preparedness frameworks were chosen because they most clearly developed the concept of a clear distinction between dimensions that constitute external readiness to collaborate virtually and internal preparedness to operate more virtually.

### **Readiness**

Readiness is defined as the aptitude of an economy or an organisation to use ICT to migrate traditional businesses to the new economy (Bui et al, 2002). E-readiness criteria spans a wide range, from telephone penetration to online security to intellectual property protection, translating into whether a country's business environment is conducive to Internet based commercial opportunities.

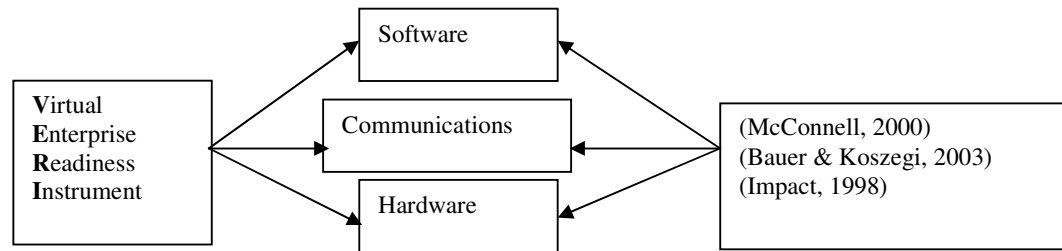
Although Bui and others (2002) focus on economies the strategies they support could be equally relevant to major ICT dependent organisations in identifying their degree of readiness to collaborate. It has been suggested that APEC member economies should examine their strategies along six dimensions: immediacy, re-intermediation and innovation based economy, integration / internetworking, virtualisation, convergence and discordance (Bui et al., 2002).

Strategies can also be used to provide key insights on actions necessary within an organisation, where a well conceived virtual readiness assessment will map the organisations regional and global position. Improving competitive strengths and promoting those areas where a country or organisation by its history, culture or nature, has an advantage over others, will increase competitive advantage.

While a number of different instruments exist to evaluate the readiness of economies and

organisations to utilise ICT effectively and participate in the global market through e-business initiatives; most of the models were judged by the authors to be not specific enough to enable organisations to identify their degree of readiness to ‘collaborate virtually’. The authors

identified three models as shown in Figure 1 that did meet the criteria and identified commonalities between all three which were then used to create an extended instrument – The Virtual Enterprise Readiness Instrument (VERI).



**Figure 1 – VERI Framework**

**E-Readiness (McConnell, 2000).**

An effective E-readiness assessment should introduce clear indicators to measure capacity and benchmark progress in Connectivity, E-Leadership, Human Capital, and E-Business Climate (McConnell, 2000). McConnell, (2000) examines 42 critical economies for their E-readiness. E-readiness measures the capacity of nations to participate in the digital economy. The model has been developed as an instrument that recognises the recent economic expansion that has enabled exponential growth in the value that comes from connecting more people and organisations to a global network. The survey size is optimum because these countries represent nearly three-quarters of the world’s population and a quarter of the worlds GDP. The authors contend that these dimensions are equally valid to organisations in testing their degree of virtual readiness.

**Virtual Corporation Readiness (Bauer & Koszegi, 2003)**

Bauer & Koszegi, (2003) provide dimensions to identify the progress of an organisation in moving from a traditional viewpoint a virtually ready structure. This model uses structural dimensions; modularity and heterogeneity (differentiation), configuration (temporary and loose-coupled

networks), integration, and technology to measure the DV (Degree of Virtualisation) of 116 Austrian and German consulting firms in 10 European countries. The authors have identified key concepts and used them to construct the second component of the VERI model.

**Virtual Organisation Readiness (Impact, 1998)**

Impact (1998) takes the process a step further by providing a tool for measuring organisational readiness using a sample consisting of the managers of 32 companies in 10 European countries. This report also uses four structural dimensions; dispersion, empowerment, inter dependence and restlessness. The report outlines best practice in tackling these issues, which makes it the logical third model selected. An interesting statement in the report, lends credence to the development of an all encompassing readiness instrument. ‘Virtuality is of course not an end in itself. It is an important ingredient of business strategy and the overall business strategy must dictate the approach to virtuality, not vice versa (Impact, 1998).

Table 1 pinpoints the four key dimensions identified in each of the models. Appendix 1 extrapolates out the commonalities and devises an all encompassing set of six new dimensions; the VERI.

**Table 1**

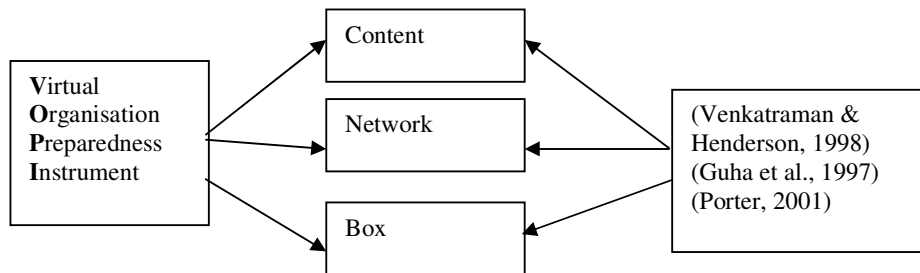
<b>E Readiness</b> (McConnell, 2000)	<b>Gradual Virtuality</b> (Bauer & Koszegi., 2003)	<b>Measuring Virtuality</b> (Impact, 1998)
<b>Connectivity</b>  Communications access Network access Power supplies – supply chains	<b>Technology</b>  ICT as enabler Coordination of activities Process value adding Virtual corporation Temporary Loosely coupled network Combining core competencies Mutual trust Coordination modularized production	<b>Dispersion</b>  Number of physical locations Number of personal workplaces Technology facilitated mobility Reach: ease of access to customers, suppliers Economic / political support Visibility to customer
<b>E-Leadership</b>  VO promotion Automation processes Alliances / Partnerships Universal access	<b>Configuration</b>  Independent networks Uniting collaborators Exploiting specific opportunities Standing network pool Historically motivated Structural cultural assimilation, loose coupling Stability – change enabled	<b>Interdependence</b>  Number of formal / informal relationships Level of external influence Staff / Line function Parallel line functions Product collaborations Cross-functional teams Internal / Ext Service Level Agreements
<b>Human Capital</b>  Qualifications Cadre of skilled partners Knowledgeable network Educational systems participation Creativity & information sharing Workforce skills & efficiencies Intellectual capital Agile & change approving Knowledge economy	<b>Integration</b>  Heterogeneity (hesitation) Dynamical configuration of core competencies Shared organisational goals Trust / Cooperation / Coordination Exchange relationships High uncertainty High interdependence Shared output and process controls	<b>Empowerment</b>  Defined accountabilities Decision levels Complexity, magnitude and scope of decision making Levels of repeat business Acceptance of empowerment risk Workforce skills investment
<b>E Business Climate</b>  Regulatory policies Standards & Rules Institutional arrangements Premiums for risk Effective competition Transparency & predictability of implementation Financial stability & soundness Electronic transaction support	<b>Modularity and heterogeneity</b>  Satisfier modules Specific core competence Flexible & dynamic combination Unique value chains Competitive advantage Virtually increasing resources Know how endowment Increases in capacity Quality, flexibility, timing Synergistic cooperating partners	<b>Restlessness</b>  New products / services New markets entered New / changed processes New / changed job profiles New / interdependencies Response time Levels of stress Openness to change Change appraisal criteria Level of staff education

**Preparedness**

An organisation can exhibit a degree of virtualness internally depending on how prepared they are. Venkatraman & Henderson (1998) view virtual organising as a strategic approach that is singularly focused on creating, nurturing and deploying key intellectual and knowledge assets while sourcing tangible, physical assets in complex network relationships. The authors define preparedness as the ability of an organisation to understand their degree of internal ICT enablement.

Preparedness represents a generic comprehensive and long term plan and should be

focussed on business models, not industry based. The tendency of enterprises is to progress along all dimensions, demonstrating the generic components of virtual change (Ash & Burn, 2003). A virtual organization’s goal is to extract the maximum value from its partners while making the minimum investment in permanent staff, fixed assets and working capital (Boudreau et al., 1998). The authors reviewed three specific models as shown in Figure 2 and identified commonalities between all three which could then be used to create an extended instrument – The Virtual Operations Preparedness Instrument (VOPI).



**Figure 2 – VOPI Framework**

**Virtual Organising (Venkatraman and Henderson, 1998)**

Venkatraman and Henderson, (1998) spent two years undertaking a systematic study to conceptualise the architecture of virtual organising. Each organisation has its core of experts. In virtual organising, companies are increasingly leveraging their internal expertise in managing the extended network of suppliers and customers (Venkatraman & Henderson, 1998). The authors have identified key dimensions and used them to construct the first component of the VOPI model: Customer Interaction, Asset Configuration, Knowledge Leverage and Work Unit Expertise.

**Business Process Change (Guha et al., (1997)**

Guha and others (1997) argue that traditional models of hierarchy and control have been described as pathological, appropriate for an erstwhile era of stability but inappropriate for today’s dynamic business world. Although the paper was written as an examination of business

process change, it is also useful in identifying enablers for virtual organisations. The authors have identified key dimensions and used them to construct the second component of the VOPI model: Relationship Balance, IT Leverage, Cultural Readiness and Learning Capabilities.

**Strategic Positioning (Porter, 2001)**

The challenge of competing globally reinforces the importance of strategic positioning. Porter states that as it becomes harder to sustain operational advantages, strategic positioning becomes all the more important. The only way to generate higher levels of economic value is to gain a cost advantage or price premium by competing in a distinctive way (Porter, 2001). The authors have identified key dimensions and used them to construct the third component of the VOPI model: Value Proposition, Right Goal, Organisational Fit and Continuity of Direction. Table 2 pinpoints the four key dimensions identified in each of the models. Appendix 1 extrapolates out the commonalities and devises an all encompassing set of six new dimensions; the VOPI.

Table 2

<b>Model 1</b> (Venkatraman & Henderson, 1998)	<b>Model 2</b> (Guha et al., 1997)	<b>Model 3</b> (Porter, 2001)
<b>Customer Interaction</b> Multi stage distribution Efficiency Linear value chain Innovation Customisation Communities	<b>Relationship Balance</b> Dialectic of cooperation Dialectic of competition Cooperative behaviour Conflict level Inter functionality Inter organisational linkage Cross functional cooperation	<b>Value Proposition</b> Benefits Uniqueness Usability Customer centric Visibility to customer
<b>Asset Configuration</b> Sourcing Integration Dynamic Portfolios Relationships Assembly Co-ordination	<b>IT Leverage</b> Information Imperatives Bidirectional relationships Socio/technical relationships Coordinated interaction	<b>Right Goal</b> Long / Short term ROI Sustainable profitability Economic Value Parallel line functions
<b>Knowledge Leverage</b> Source diversity Value Creation Organisational efficiency	<b>Cultural Readiness</b> Change agents Leadership Shared organisational goals Trust / Cooperation / Coordination Exchange relationships Risk Aversion Open Communications Shared output process controls	<b>Organisational Fit</b> Interdependence Mutual reinforcement Systemic imitations Discrete improvements Workforce skills investment
<b>Work Unit Expertise</b> Distributed tasks Decomposition Effectiveness Knowledge capture Knowledge sharing Process driven	<b>Learning Capabilities</b> Positive outcomes Adaptation to environmental change Cross functional entities Core competencies Technical gatekeepers Deutero learning Causation Adaptability	<b>Continuity of direction</b> Unique skills Asset leverage Reputation Continuous improvement Strategic direction

**Conclusion and Future Trends**

The problem that this paper seeks to solve is to remove the uncertainty that persists in defining what a virtual organisation is now and should be, in the future. The authors have developed instruments to differentiate between what constitutes external readiness to collaborate and internal preparedness to operate virtually. The VERI and VOPI have the potential to provide ICT managers with a means to identify gaps in organisational thinking both at an external and internal level. These gaps represent a ranked set of critical issues for effective implementation of virtual models of operation.

As the trend towards virtual models of operation increases so too will the need for effective collaborative strategies with virtual partners. The application of VERI and VOPI can be used internally

as well as externally to assist in the alignment of values across organisational boundaries. Both instruments have been applied to a primary case study and the results confirm that although an organisation may feel that the identifying their degree of virtuality is important significant gaps exist between importance and whether the organisation feels it is actually doing the things it regards as important, the wider the gap the higher the priority that should be given to identifying a more effective ICT enabled solution.

Ongoing research which includes seven secondary case studies will ensure that the instruments have the potential to become templates for organisations in identifying their degree of virtuality by providing enablers for them to measure their strategies for virtualisation against their actual implementation,

maximising the alignment between their external and internal strategies and operations.

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**APPENDIX 1**

<b>VERI (Applied)</b>	<b>VOPI (Applied)</b>
<p><b>Enablement</b></p> <ul style="list-style-type: none"> <li>Communication access</li> <li>Process value adding</li> <li>Loosely coupled networks</li> <li>Combining core competencies</li> <li>Coordination of modularised production</li> </ul> <p><b>Collaboration</b></p> <ul style="list-style-type: none"> <li>Facilitated mobility</li> <li>Reach: ease of access to customers &amp; suppliers</li> <li>Independent configuration of networked companies</li> <li>Uniting collaborators</li> <li>Exploiting specific opportunities</li> </ul> <p><b>Influence</b></p> <ul style="list-style-type: none"> <li>Alliances and partnerships</li> <li>Number of formal / informal relationships</li> <li>Level of external influence</li> <li>Product collaborations</li> <li>Cross functional / cross process teams</li> </ul> <p><b>Accountabilities</b></p> <ul style="list-style-type: none"> <li>Cadre of skilled partners</li> <li>Knowledgeable network population</li> <li>Intellectual capital</li> <li>Acceptance of empowerment / risk</li> <li>Defined accountabilities</li> </ul> <p><b>Standards &amp; Stability</b></p> <ul style="list-style-type: none"> <li>Standards &amp; rules</li> <li>Transparency &amp; predictability of implementation</li> <li>Financial stability and soundness</li> <li>Response time</li> <li>Openness to change</li> </ul> <p><b>Interdependence</b></p> <ul style="list-style-type: none"> <li>Shared organisational goals</li> <li>High interdependence</li> <li>Unique value chains</li> <li>Increased capacity</li> <li>Quality, Flexibility, Timing</li> </ul>	<p><b>Communications</b></p> <ul style="list-style-type: none"> <li>Shared goals</li> <li>Trust / Cooperation / Coordination</li> <li>Open communications</li> <li>Asset leverage</li> <li>Strategic direction</li> </ul> <p><b>Efficiency</b></p> <ul style="list-style-type: none"> <li>Value creation</li> <li>Organisational efficiency</li> <li>Effectiveness</li> <li>Knowledge sharing</li> <li>Process driven</li> </ul> <p><b>Viability</b></p> <ul style="list-style-type: none"> <li>Long / short term ROI</li> <li>Sustainable profitability</li> <li>Economic value</li> <li>Customer centric</li> <li>Visibility to customers</li> </ul> <p><b>Supply &amp; Value</b></p> <ul style="list-style-type: none"> <li>Linear value chain</li> <li>Innovation</li> <li>Customisation</li> <li>Integration</li> <li>Coordination</li> </ul> <p><b>Linkages</b></p> <ul style="list-style-type: none"> <li>Cooperative interpersonal behaviour</li> <li>Inter-functionality</li> <li>Inter organisational linkage</li> <li>Cross functional cooperation</li> <li>Interdependence</li> </ul> <p><b>Adaptability</b></p> <ul style="list-style-type: none"> <li>Change agents</li> <li>Core competencies</li> <li>Adaptability</li> <li>Imperatives</li> <li>Coordinated interaction</li> </ul>