# Evaluating Virtual Organisational Preparedness

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## INTRODUCTION

As organisations enter an era of information superhighways, expanded electronic commerce, and "virtualness," executives increasingly realise that in addition to business strategy influencing IT, IT now influences business strategy (Rockart et al., 1996). Hirschheim and Sabherwal (2001) confirmed the validity of previous findings and determined that it is important for organisations to understand the dynamic and emergent nature of business-information systems alignment. Recent perspectives on strategy argue that the basis for achieving competitive advantage, even short term advantage, lies in the configuration of resources that enable value creation through a sustained dynamic and continuous process of adaptation and change (Wheeler, 2002; Zahra & George, 2002; Breu & Peppard, 2001). Alignment competencies are created by leveraging the organisation's specific resources and processes, structures and practices (Cumps et al., 2006).

## VIRTUAL ORGANISATIONS

The literature provides clear evidence that the subject of the VO has been widely and vigorously debated by noted authors in this newly emerging field. What is glaringly apparent from the literature review is that there continues to be a lot of conjecture as to what a virtual organisation really is. So many of the terms and the definitions derived from them had conflicting and in some cases even similar meanings that it has only added to the confusion that exists.

The literature provides numerous descriptions, such as virtual (Webster's, 1998) virtuality (Evaristo & Scudder, 2000) virtual organisation (Mowshowitz, 1986), virtual organising (Venkatraman & Henderson, 1998), virtual team (Lipnack & Stamps, 1997) virtual enterprise (Davidrajuh, 2003; Hardwick, 1996), virtual communities (Camarinha-Matos & Afsarmanesh, 2005), collaborative networked organisation (Borrelli & Conte, 2006a, 2006b; Sturm & Wolf, 2006), and information rich commerce (Fichman & Cronin, 2003).

There are a range of other terms, which are not covered extensively in this paper, due to the sheer volume of work on the subject of VO, including hubs (Friedheim, 1999) clusters (Dearlove, 2001), relationship enterprises (Walters, 2000), virtual company (Goldman, 1993), virtual factory and even agent-based frameworks (Camarinha-Matos & Afsarmanesh, 2003). The extent of the area is validated by the creation of terms such as the virtual factory, a concept that was developed in an attempt to manage distributed projects, which they call virtual factories, within a stable network of virtual organisation partners (Upton & McAfee, 1996).

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 common theme seems 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 dis-

solve 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).

The one consistency seems to be the concept of organisations being compelled to consider their degree of virtuality. 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).

Whatever its form, it would appear that the term VO is here to stay. Virtualisation is an approach to ICT that lets businesses pool resources so utilisation is optimised and supply automatically meets demand (Bittman, 2004). Organisations who exploit the potential to develop their own "automated network," according to noted authors, 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).

The Venkatraman and Henderson (1993) model has featured prominently as noted authors attempt to help organisations grapple, especially in the 21st century, with the issue of global competitiveness. Strategies need to be based on a value proposition that is different from that of competitors. Organisations must be clear on which customer groups they are to serve, what needs

of that group they are trying to be distinctively good at meeting and how they should configure their marketing, production, and design to achieve that uniqueness (Porter, 2001). Successful change processes often require the proactive leveraging of boundaries and relationships, particularly in e-business relationships. Preparedness represents a generic, comprehensive and long-term plan and should be focussed on business models, not industry based.

## PREPAREDNESS

An organisation can exhibit a degree of virtualness internally depending on how prepared they are. Venkatraman and 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 theory of a strategic approach, which focussed specifically on the internal domain of operational integration, evolved from the previous work by the same authors on strategic alignment (Henderson & Venkatraman, 1993). The authors define preparedness as the ability of an organisation to understand their degree of internal ICT enablement.

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 1* and identified commonalities between all three, which could then

*Figure 1. VOPI*
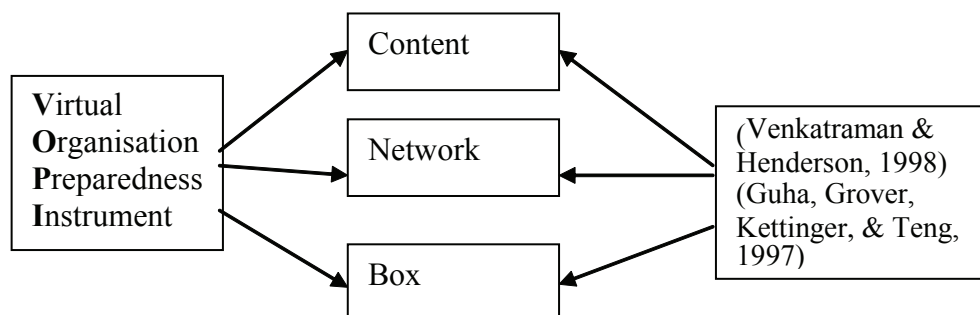
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