



Virtual Organization: Resource-Based View

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ABSTRACT

Virtual organization incorporates all the revolutionary practices in the global network and provides a unique opportunity for society. This study provides a new vision of the future organization with the revolution of communication technologies. Virtual organization is analyzed with the premises of time and space. The findings of this chapter show the strategic implication of virtual organization in terms of its life cycle through various stages and interactions based on structuration. A resource-based view is employed to identify more effective and strategic ways to operate virtual organization.

Keywords: *virtual organization; virtualization; resource-based view strategy; structuration theory; time, space; life-cycle*

INTRODUCTION

In the modern business world, it is common to use Internet technology for e-businesses, e-commerce, etc. However, a rethinking of the concepts of time and space in virtuality is completely missing (Schultze & Orlikowski, 1992). The Internet is different from conventional communication networks, as they constraint time and space in business activities. This article introduces “virtualization,” a new premise of time and space, as an important notion in running a virtual organization. Many practices

and strategies of e-businesses are still bound to the traditional ways of doing business. In this study, time and space are conceptualized in a way that conveys strategic implications of the e-business model and shows how information technology (IT) should be aligned with virtual organization.

There are two types of e-business initiatives. The first type considers e-business as a mere extension of traditional business. This originates from the idea to reduce transaction costs through cheaper Internet technology than a

traditional private network (Khan & Motiwalla, 2002). The second type views e-business as a new way of doing business. This perspective recognizes new Internet opportunities, provides new business models and possibly enhances the existing business activities (Khan et al., 2002). The concept of virtualization adopts the second e-business initiative and investigates the strategic use of virtual organization (Atkins & Dawson, 2001).

Most strategy studies posit that the goal of strategy is to gain and sustain competitive advantages for the long haul (Ginsberg & Venkatraman, 1985). Specifically, organizational strategy is concerned with how organizations utilize their resources and capabilities to achieve their business goals providing direction to properly formulate future strategies. Organizational strategy guides organizations transforming their internal and external resources and capabilities into core competencies, which enable them to implement a set of strategies and invent sustainable competitive advantages (Prahalad & Hamel, 1990). In general, organizations perform both internal and external analyses and identify particular (sets of) resources and capabilities that are essential for effective and efficient coordination and utilization of resources (Stalk, Evans, & Shulman, 1992). Then, organizations may choose to implement strategies that use their rare, valuable, and costly-to-imitate resources and capabilities. These organizations subsequently achieve extraordinary economic performance, and enjoy a period of sustained competitive advantage (Barney, 1997).

In this article, we introduce a resource-based view of strategy to gain insights into how organizations go about using virtual organization strategically to achieve and sustain competitive advantages. The purpose of this study is to find the strategic implication of virtual organization in terms of its dynamic evolution through various stages and interactions based on structuration (Giddens, 1984). We use a resource-based view to identify more effective and strategic ways to operate virtual organization. The virtual organization is defined as a socio-technical organization where the social

activities of members are accommodated by IT (socio-technical product) (Orlikowski, 1996).

This article is organized as follows. In the following section, we discuss previous research on virtual organization and resource-based view. Metaphors, life cycle, and dynamic view of virtual organization are examined in the theoretical foundations. The next section reveals the strategic use of the virtual organization on strategic IT deployment and VRIO analysis. The implication and conclusion of this study are discussed at the end.

LITERATURE REVIEW

Virtual Organization

Current technological environment enables businesses to virtually organize. As IT improves, integration and coordination costs decline and firms are able to form partnerships with firms that have different specializations. All activities are coordinated through decentralized information systems. Virtual organizations take advantage of IT to facilitate several organizational design variables that often require electronic storage and sharing of information among firms. In the past, without these IT capabilities, firms were forced to vertically integrate to minimize their information and external coordination costs. Now, given the current capabilities of IT, it gets easier for firms to form inter-firm partnerships.

However, 'virtual organization' is not clearly defined. In fact, there are almost as many definitions of virtual organization as there are researchers. For example, virtual organization was defined as:

- A temporary network of companies that comes together quickly to exploit fast-changing opportunities (Byrne, 1993).
- The ability of the organization to consistently obtain and coordinate critical competencies through its design of value-adding business processes and governance mechanisms involving external and internal constituencies to deliver a differential, superior value in the

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