



Chapter IX

**Managing the Virtual
Corporation Using IT**

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ABSTRACT

Virtual organizations are characterized and various types of virtual organizations are described. Factors contributing to the success of virtual organizations are identified. Various technologies for intra-organizational coordination are described and concerns regarding the reliance on technology in virtual organizations are elaborated upon. Issues regarding multilingual Web pages are identified. Finally, the role of the semantic Web in the future of virtual organizations is described.

**CHARACTERISTICS OF A VIRTUAL
ORGANIZATION**

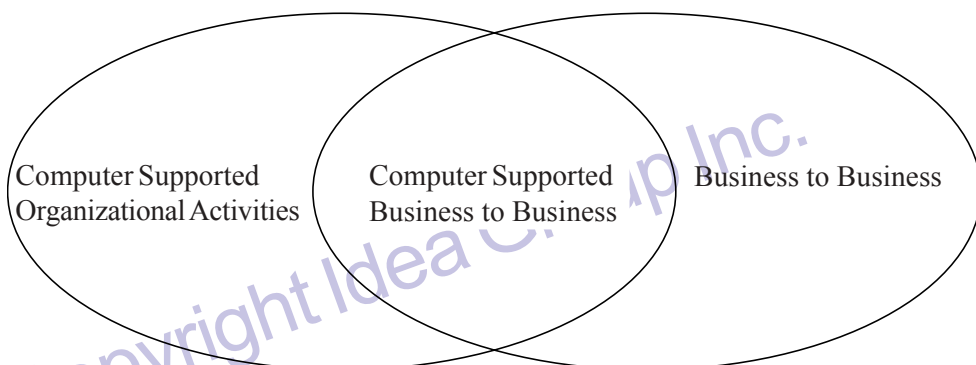
A virtual organization is a temporary network or loose coalition of manufacturing and/or services that comes together for a specific business purpose and then disassembles when the purpose has been met (Christie & Levary, 1998). The life cycle of a virtual organization depends upon factors such as the intended objective(s) of the alliance, the type of products manufactured, or the services rendered. Virtual organizations can be ad hoc or can last over a longer time period. Frequently, firms team up in a virtual organization to exploit an opportunity in the market before it evaporates. Once an intended objective is met, the alliance is disbanded. These ad hoc alliances are short lived, extremely focused, goal driven, and powered by time-based competition. They are both created and dissolved quickly. Organizations that are partners in one instance can be rivals and competitors in the next. Longer-term virtual organizations are generally continuously evolving networks of independent companies linked together to share skills, costs, and access to one another's markets

and data (Christie & Levary, 1998). Frequently the persistence over time of these links provides ongoing benefits for the participating companies, stability and growth in their relationships, and a sense of predictability for customers and other stakeholders.

We see the virtual organization as a subset of all organizations. Those that are “virtual” are distinguished by two essential characteristics—first they are comprised of two or more independent organizational units and second they are supported at least to a significant degree and in some cases extensively by electronically mediated communication. These two characteristics address two aspects of “virtualness.” When discussing an organization consisting of only one unit, then you have a traditional corporation that uses technology. Where you have two or more independent units, then you have some degree to which the management of the linkage between the two has become “virtual.” There are examples of this that are completely handled by traditional face-to-face communication, such as building sites using a variety of subcontractors. While this is organizationally “virtual,” this sort of arrangement doesn’t capture the second aspect of “virtualness,” being electronically mediated. An example of such a virtual organization is the alliance among various airlines for purposes of streamlined routing and consolidation of frequent flier arrangements. Additional examples of virtual organizations based on this definition will be presented throughout this chapter.

Such virtual organizations can engage in either business-to-business or business-to-consumer commercial activities. For purposes of focusing within a reasonable scope, in this chapter we wish to focus on the “business-to-business” type of virtual organization. The subset of virtual organizations discussed in this chapter is illustrated in Figure 1.

Figure 1: Virtual organization definition



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